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INSURANCE

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Woman's Role in Planned Economy

NATIONAL PLANNING, PRINCIPLES & ADMINISTRATION

K. T. Shah.

NATIONAL PLANNING COMMITTEE SERIES

(Report of the Sub-Committee)

INSURANCE

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Secretary

Shri K. S. RAMACHANDRA IYER

Edited by

K. T. SHAH

Honorary General Secretary

NATIONAL PLANNING COMMITTEE

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To

All Those

MEMBERS OF THE NATIONAL PLANNING COMMITTEE

and of

Its Various Sub-Committees

A TRIBUTE OF APPRECIATION

प्रारब्धमुत्तमजना न परित्यजन्ति

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(Delegate of the Women's Sub-Committee)

Miss Dwarkabai Bhat

PREFACE

The National Planning Committee, appointed in 1938, began its work early in 1939. After defining the nature of a National Plan, and determining the nature and scope of the work entrusted to them, the Committee issued an elaborate and comprehensive Questionnaire which was subsequently supplemented by specific details. Twenty-nine Sub-Committees, formed into eight groups, were set up with special terms of reference to deal with all parts and aspects of the national life and work in accordance with a predetermined Plan.

After some unavoidable delay in getting replies to the Questionnaire, the Sub-Committees began their work, and submitted Reports,—some of them Final, some Interim,—which were considered at the Plenary Sessions of the Parent Committee in 1940. Towards the end of that year the Chairman, Pandit Jawaharlal Nehru, was arrested and sentenced to a long term of imprisonment, during which the work of the Committee had necessarily to be suspended.

On his release a year later, hope revived for an intensive resumption of the Committee's work. But the outbreak of war with Japan, the threat to India's own safety, and the hectic march of political events, rendered it impossible to devote any attention to such work at that time. It, therefore, inevitably went into cold storage once again; and remained for the duration of the war.

When at last the War seemed nearing its end, Pandit Jawaharlal Nehru with other leaders was released. The moment seemed again opportune to resume the work of

the Planning Committee. Meetings of that Body were held in September and November 1945, when certain more urgent questions, already included in the programme of the National Planning Committee, were given a special precedence. A Priority Committee was appointed to report upon them. Changes and developments occurring during the War had also to be taken into account; and another Committee was appointed to review the general instructions, given six years earlier to the Sub-Committees. Revised instructions were issued to them following the Report of this Sub-Committee; and the Chairmen and Secretaries of the several Sub-Committees were once again requested to revise and bring up to date such of the Reports as had already been submitted—either as final or interim—while those that had not submitted any reports at all were asked to do so at an early date.

As a result, many of the Sub-Committees which had not reported, or had made only an Interim Report, put in their Reports, or finalised them. The Parent Committee has had no chance to review them, and pass resolutions on the same. But the documents are, by themselves, of sufficient value, prepared as they are by experts in each case, to be included in this Series.

The following Table shows the condition of the Sub-Committees' work, and the stage to which the Planning Committee had reached in connection with them.

Serial No.	Name of the Sub-Committee.	Final Report		Interim Report		No Reports
		N.P.C. Resolutions	Not considered by N.P.C.	N. P. C. Resolution	Not considered by the N.P.C.	
Group I.	**Agriculture & other Sources of Primary Production**	Handbook Pp.		Handbook Pp.		
1.	Rural Marketing and Finance	97-99				
2.	River Training and Irrigation Part I	83-85				
	" " " Part II	113-115				
3.	Soil Conservation and Afforestation	115-119				
4.	Land Policy and Agriculture			139-141		
5.	Animal Husbandry and Dairying	87-89				
6.	Crop Planning and Production				do.	do.
7.	Horticulture	102-103				
8.	Fisheries					
Group II	**Industries or Secondary Sources of Production**					
1.	Rural and Cottage Industries					
2.	Power and Fuel		do.			
3.	Chemicals					do.
4.	Mining and Metallurgy			77-79		
5.	Engineering Industries	75-77		130-133		
6.	Manufacturing Industries		do.			
7.	Industries connected with Scientific Instruments		do.			
Group III	**Human Factor**					
1.	Labour	89-92				
2.	Population	85-87				
Group IV	**Exchange and Finance**					
1.	Trade					
2.	Public Finance					
3.	Currency and Banking			122-126		
4.	Insurance			93-95		
Group V	**Public Utilities**			95-97		
1.	Transport					
2.	Communications	126-129		120-122		
Group VI	**Social Services—Health and Housing**					
1.	National Housing					
Group VII	**Education**					
1.	General Education			133-139		
2.	Technical Education				do.	
Group VIII	**Woman's Role in Planned Economy**					

To sum up, fourteen Sub-Committees had made final reports, of which ten have been considered, and Resolutions taken upon them, by the National Planning Committee. Twelve more have presented Interim Reports, of which nine have been considered by the Planning Committee, with Resolutions thereon, while three Sub-Committees have not yet presented any report on the reference made to them.

The idea that all this material, gathered together with the help of some of the best brains in India in the several departments of our national life, should be printed and published was before the Committee from the start. But the interruption caused by the war prevented its realisation. It was once again mooted in 1941; but the moment was not deemed ripe then for such action, partly because the leading spirits in almost every one of the Sub-Committees were unable to devote time and labour to bring their Reports up-to-date; and partly also because war-time restrictions or shortages had made scarcer than ever before the statistics and other facts, which particular sub-committees would need, to bring their work up-to-date. The war-time needs of Government had attracted several of them to work on Government Bodies, Panels, or Committees. For all these reasons it was deemed undesirable that material of this character—valuable as it must be—should be put out in an incomplete, inchoate, obsolete form, which may reflect unfavourably upon Indian capacity for such tasks.

The last four years of the War were thus a period of suspended animation for the National Planning Committee. Even after the end of the war, it has not been feasible, for obvious reasons, for the Planning Committee to resume its work and finalise decisions. Continuous sessions of that body are indispensable for considering and taking decisions on the Sub-Committee reports presented since 1940, and putting all the material into shape, ready for publication, not to mention making its own Report; but the political situation in the country made it impossible. Other conditions, however, are somewhat more favourable than in 1938-39, when the Central Government of the country were all but openly hostile to such attempts. Lest, however, the momentary difficulties make for needless further delay, it was thought advisable by the Chairman and the undersigned that no more time should be lost in putting this material before the Public. Following this advice, it is now proposed to bring out a complete Series of the National Planning Committee's Sub-Committee Reports, which will

serve as appendices to the Parent Committee's own Report. The Plan of the proposed enterprise is briefly summarised below.

Every Sub-Committee's Report, which is in a final form and on which the National Planning Committee has itself taken resolutions, will be edited and published, with an Introduction assigning their due importance to the suggestions and recommendations contained in that particular report, its proper place in the over-all National Plan; and following it up, wherever necessary, by a kind of Epilogue, summarising the developments that have taken place during the seven years, during which the work of the Planning Committee had been in suspension.

Those Reports, again, which, though in a final form, have not yet been considered, and no resolutions taken thereon, by the Planning Committee, will also be included in the Series in the form in which they were submitted, with such Introduction and Epilogue to each as may be deemed appropriate. And the same treatment will be applied to Reports which are 'Ad Interim', whether or not the Parent Committee has expressed any opinion on the same. They will be finalised, wherever possible, in the office, with such aid as the Chairman or Secretary of the Sub-Committee may be good enough to render. Sub-Committees finally, which have not submitted any Report at all,—they are very few,—will also find their work similarly dealt with. The essence, in fine, of the scheme is that no avoidable delay will now be suffered to keep the National Planning Committee's work from the public.

Both the Introduction and the Epilogue will be supplied by the undersigned, who would naturally be grateful for such help as he may receive from the personnel of each Sub-Committee concerned. The purpose of these additions is, as already stated, to assign its true place to each such work in the over-all Plan; and to bring up the material in each Report to date, wherever possible.

Not every Sub-Committee's Report is sufficiently large to make, more or less, a volume by itself, of uniform size, for this Series. In such cases two or more Reports will be combined, so as to maintain uniformity of size, get-up, and presentation of the material. The various Reports, it may be added, would not be taken in the order of the classification or grouping originally given by the Planning Commit-

tee; nor even of what may be called the intrinsic importance of each subject.

In view of the varying stages at which the several Reports are, for reasons of convenience, it has been thought advisable to take up for printing first those which are final, and on which the Planning Committee has pronounced some resolutions. Printing arrangements have been made with more than one Press, so that two or three Reports may be taken simultaneously and published as soon as possible so that the entire Series may be completed in the course of the year.

Two other Sub-Committees, not included in the list of Sub-Committees given above, were assigned special tasks of (1) preparing the basic ideas of National Planning; and (2) outlining the administrative machinery deemed appropriate for carrying out the Plan. These were unable to function for reasons already explained. The present writer has, however, in his personal capacity, and entirely on his own responsibility, published the "Principles of Planning" which attempt to outline the fundamental aims and ideals of a National Plan. This remains to be considered by the Planning Committee. Similarly, he has also attempted to sketch an administrative machinery and arrangements necessary to give effect to the Plan, when at last it is formulated, and put into execution. Notwithstanding that these two are outside the Scheme outlined in this Preface, they are mentioned to round up the general picture of the arrangements made for publication of the entire work up-to-date of the National Planning Committee and its several Sub-Committees.

The several volumes of Sub-Committee Reports, when published, will be treated as so many appendices to the Report of the parent body, the National Planning Committee. It is impossible to say when that Committee, as a whole, will be able to hold continuous sessions, review and resolve upon Sub-Committee Reports which have not yet been considered, and lay down their basic ideas and governing principles for an all over Plan, applicable to the country, including all the facts of its life, and all items making up the welfare of its people.

The disturbed conditions all over the country, and the Labour unrest that has followed the end of the War has caused unavoidable delays in printing and publishing the

several volumes in the Series, which, it is hoped, will be excused.

In the end, a word of acknowledgment is necessary to put on record the aid received by the Editor in the preparation and publication of this Series. All those who are associated in the task,—members of the Parent Committee, or as Chairmen, Secretaries or Members of the various Sub-Committees,—have laboured wholly, honorarily, and consistently striven to give the best that lay in them for the service of the country. Almost all Provincial Governments and some States,—the latter twice in some cases,—have made contributions towards the expenses of this office, which have been acknowledged and accounted for in the Handbooks of the Planning Committee, published earlier. Suitable appreciation of these will be expressed when the Parent Committee makes its own Report. At almost the end of its task, the expenditure needed to edit, compile, and otherwise prepare for the Press, the several Reports, has been financed by a Loan by Messrs. Tata Sons Ltd., which, even when repaid, will not diminish the value of the timely aid, nor the sense of gratitude felt by the undersigned.

Bombay, 1st July 1947. K. T. Shah.

CONTENTS

INTRODUCTION

This Sub-Committee was appointed to deal with:—

(a) Insurance, including Life, Accident, Fire, Marine and General.

(*N.B.*—Industrial and Agricultural Insurance has been entrusted to a separate Sub-Committee.)

EVOLUTION OF INSURANCE BUSINESS IN INDIA.

To get a proper idea of the Insurance service in the economic life of the country, it is necessary to cast a glance at the history of the legislation governing this indispensable item of modern economic structure.*

Prior to 1912 India had no legislation regulating insurance. In the year 1912 the Indian Life Assurance Companies Act and the Provident Insurance Societies Act were passed dealing with life insurance only. The Indian Insurance Companies Act was passed in 1928 and thus amended the Indian Life Assurance Companies Act of 1912 in certain particulars and made provision for the collection of statistical information in respect of insurance business other than the Life business.

The 1912 Act closely followed the lines of the British Assurance Companies Act of 1909. This Act did not prevent certain malpractices, and it was soon obvious to the Government that certain action was necessary to protect the public. In 1924 the Government of India had drafted a Bill to amend 1912 Act. This Bill was shelved because it was thought fit to await the Report of the Clauson Committee sitting in London about that time. The 1928 Act was little more than a stop-gap measure because the Government of India wanted to await the United Kingdom legislation, which was expected to be taken up in 1929 or so but which is not yet taken in hand.

Mr. Sushil C. Sen, a well known Calcutta solicitor, was appointed to report on the amendments necessary to modernise Insurance legislation and practice in India. His report was duly presented and was considered by the Advisory Committee appointed by Government from representatives of all branches of insurance in India and presided over by the Law Member Sir N. N. Sircar. Immediately following the conclusion of the meetings of the Advisory Committee, Govern-

* For this brief historical sketch the Editor is indebted to the courtesy of Mr. Vora, the New India Assurance Company Actuary.

ment prepared a bill, and introduced it in the Legislative Assembly in 1937. The Bill was keenly debated by the Assembly insurance interests and the public at large, and passed in 1938, making the first really comprehensive law on the subject in India.

Although some attempts were made to discriminate against the non-Indian Companies especially the United Kingdom companies which are in majority among the non-Indian Insurance Companies they failed on account of Section 113 of the Government of India Act.

The points of special interest in the Act are as follows:

1. *Deposits*

Requirement of a deposit before insurance business can be started. Government held the view that the primary necessity of deposit was to prevent insurers of small financial resources or speculative concerns from commencing business. The amount of Deposits is substantial and required for all classes of business.

2. *The creation of a Superintendency of Insurance with wide power of supervision and control.*

In the 1938 Act there was the provision for the appointment by the Central Government of an Officer who must be a qualified Actuary as Superintendent of Insurance. All annual and quinquennial returns are to be made to him in the prescribed form and he is given wide power to reject all incomplete and inaccurate returns etc.

The Superintendent was to be a qualified actuary but in 1946, an amendment was made in this respect that the Superintendent need not be a qualified actuary till 31st day of December 1953.

3. *Investments:*

The Act provides that 55% of the net life liabilities of an Indian or a British insurer should be invested in Indian Government and Approved securities with at least 25% in Indian Government Rupee securities. All other companies i.e. foreign companies must invest 100% of their Indian liabilities in Indian Government and Approved securities with at least 33-1/3% in Indian Government Rupee securities.

4. *Prohibition of rebating, restriction of commission, and licensing of agents:*

Most of the life assurance companies were experiencing high acquisition costs as well as heavy working costs. Just

before the enactment of the legislation, the rates of commission rose to uneconomic levels and a natural corollary of the high rates of commission was the rebating to the assured the whole or part of the commission which the agent earned.

The Act fixes maximum rates of commission at 40% of the first year's premium and 5% of the renewal premiums in respect of life assurance business and 15% in respect of non-life business. This restriction applies to agents who procure or solicit business to the Company and who must be licensed.

Licence fee which was originally Re. 1 is now increased to Rs. 1-8.

It is, however, permissible for insurers to employ persons as special agents whose remuneration is not restricted. These persons are employers of agents and they cannot pay any commission or other remuneration for soliciting or procuring insurance business except to a licensed agent.

The present position is that the rebating which was sought to be eradicated by means of legislation has come back again with the same force and it is prevalent to an alarming extent both in the life business and non-life business.

5. *Policyholders-Directors:*

There is a provision in the Act which makes it possible for the representatives of policyholders to be elected to the Board of Directors, the proportion being one-fourth of the total number of Directors of the Company.

6. *Returns:*

The various annual returns and quinquennial returns are to be submitted to the Superintendent of Insurance and these have been found to be complete, concise and effective in most cases.

7. *Abolition of Managing Agency:*

The Managing Agency system was abolished by the Act but the creditor or Managing Directors or Director-in-charge or a paid Chairman of the Board of Directors has meant that the persons in charge of management get all their remunerations, though in a different form.

The various amending Acts were passed in 1939, 1940, 1941, 1944 and 1946; the principal amendment were:

1. The position of the Superintendent of Insurance to be occupied by the non-actuary also. This amendment was passed in 1946.

2. The Act did not provide for the renewal of registration every year but in 1941 the provision was made for the renewal of the registration.

3. Minor changes were made in Sections dealing with deposits, separation of accounts and balance sheets, actuarial report and abstract and other matters.

4. Section 27 was amended with a view to clarify the position of the various companies but the percentage remains unchanged.

Role of Insurance in National Economy

With the extension of the role of the State in all facets of our national economy, in initiative, organisation as well as administration, the scope of insurance, and function of Insurance in the economic structure of the country attains progressively increasing importance. It is no longer a matter for each individual to provide for himself on the best possible terms he can obtain. Whether it is some provision for an individual's own old age and consequent incapacity to work with normal efficiency; or for his family and dependents; their health, education, marriage, or settling in life; accident or ill-health for himself; or for his business, and its continued prosperity, including the provision of security of some kind for his workers or other business associates, tax-burdens, and other such wellknown contingencies of business life, the individual had in the past to make his own arrangements.

Instead, the obligation to provide sufficient safeguard and assurance is becoming, rapidly and extensively, a matter of national concern. In many modern industrialised countries making such provision on a collective basis, provision for an individual's security in work and person, is being enforced universally and compulsorily against some of the commonest contingencies of modern industrial life. This provision, once made, is administered collectively by the State, or by a specially created organisation on its behalf.

Even where the entire Insurance business of the country is not collectivised, in all its forms, the State, as the organised representative of the community collectively, closely controls and regulates all those sectors of Insurance business, which are owned and managed by private concerns for the profit of their proprietors.

In primitive society, based on local if not individual self-sufficiency, there was no need of such provision. As social

organisation became more complex, and Division of Labour increased; as exchange began to dominate the economic system and the hazards of enterprise increased, this business was developed in all its forms, mainly by individual initiative motivated by profit, in a variety of ways. The main purpose was to minimise the known risks of a given individual or enterprise, as measured in terms of money.

Modus Operandi.

The device employed to achieve this aim was to distribute the money equivalent of the risks, calculated on scientific basis, on as large a number of individuals engaged in the same or cognate enterprise, and exposed, to similar risks. Each insured person or enterprise was required to contribute periodically a relatively small amount which, in the aggregate, and spread over a considerable period, would amount to the evaluated equivalent of the risk insured against. To each such insured person, a guarantee, or assurance was given to the effect that, in the event of the risk insured against occurring, he would be indemnified by the Insurer, at least in the shape of a cash equivalent. Freed from anxiety, the entrepreneur, was able to devote his full attention to his business; and so brought about a degree of stability in prices, which added directly to the productivity of the enterprise.

The amount paid by the insured was, as already observed, relatively small. The burden was, therefore, not felt by the insured, especially as the amount was collected periodically; and so went out of the current expenditure, so to say, without being felt particularly as a hardship. And if any risk insured against actually occurred, the insured would have the entire amount insured for replaced, and so be enabled to continue his business or other activity, all but unaffected. The insured amount was, needless to add, due to him. It came out of his own contributions, accumulated and invested.

Insurance—No Charity.

There could consequently be no element of charity, as was often the apprehension in the days when such relief or assistance was provided by the Church, the Caste, or the Guild, or charitable individuals. For the Insurer, too, this was no loss paid out of his own resources; nor a charity given from the native generosity of his heart. It was a purely business deal, in which the insurer provided a much-needed service to the insured; and for this service he had laid down his own tariff. This tariff, or scale of insurance premia, was

based upon a careful scrutiny of all the data, including statistical and other material relevant to each instance. The numerous contributions collected by him from those who insured with him were made into a special Fund, which the Insurer invested in sound and productive investments. The return he obtained from these investments was not only the nucleus, —the ultimate source,—from which to pay such claims as became due; but also to provide a margin of profit for himself. In the early days of this business, such profits proved to be quite handsome to all those who were careful and prudent in their investments; and who preferred soundness, stability and security of each investment to its sensational yield.

Importance of Sound Investment.

So important is the careful investment of the funds collected through Insurance premia by the insurer; so vitally concerned is that business with the safety and stability of the entire productive organisation in a country, that, it was from this angle that the necessity of a measure of public control and supervision became evident. It was, likewise, because of the growing recognition that this business cannot be managed on exclusively commercial principles, wherein profit comes before utility or service, that a greater and greater section of the business was brought directly or indirectly under public control, supervision, ownership and management.

Insurance a Form of Self-Help.

Even before the modern type of joint stock enterprise had developed and taken root in this field, insurance of its members by Guild, Caste or Friendly Society, not to mention our indigenous variety called the Joint Family System,—had been developed and worked, in various countries, to achieve a measure of security and stability. This no individual or even a Joint Stock concern could provide by itself for all the risks of the business.

Since the expansion of the scale of operations and the increasing division of labour; with the growing complexity and risks of modern Industrial Life coming in the wake of the Industrial Revolution;—wherein Production became more and more for Exchange and not for Use,—Insurance became a great necessity, an integral part of the national economy, in all its aspects of Production and Distribution, Consumption, as well as Exchange. Necessarily it has had to be properly organised, and widely diversified,

so that the several forms may serve the several needs of the different industries and business, collective and personal risks. No element of charity is now left in whatever can rightly be called Insurance,—except, perhaps, in such sporadic or unorganised efforts like the Famine Insurance(?) Fund of India between 1888 and 1914. Whether it is insurance against the risks; or obligations of individual life; or of business and industry, of goods and chattels, Insurance is, essentially, a form of self-help, which is not given its full recognition by the Joint Stock enterprise, wherever that form of organisation operates the Service.

Insurance—A Stabilising Factor.

This explanation of the origin and nature of Insurance business, or of its place and function in the national economy, does not, however, make Insurance an active factor in Production. It is not an agent of production, and does not add to the volume of goods and services produced in a community; nor does it increase directly the productive capacity of the primary agents of production, viz: Resources of Nature and Labour of Man. All that Insurance, properly conducted, does is that those factors of production should work smoothly to their maximum capacity, free from any anxiety about risks inherent in their business, which would otherwise hinder or handicap their efficient operation.

Insurance is thus more a Social Service, or Public Utility, than new production. Like any other Social Service or Public Utility,—e.g. Education, Health, or Transport,—Insurance becomes an integral and indispensable part of modern national economy, as well as of international commerce. It takes a variety of shapes, not all clearly recognised as such. In the days before the European War of 1914-18, many used to regard the great strength of the British Navy as a form of Insurance for the safety of the overseas British commerce, if not also of the Empire. When the New Deal came in the United States in 1933, President Roosevelt made the measures of Social Security a pillar of his programme for national recovery. Even the usual provision against Depreciation may be considered to be a form of Insurance. Even though it does not itself produce material goods, prolong human life, or add to a worker's or machine's capacity to produce, it helps all those factors doing their appointed work, and so indirectly adds materially to the volume of production also. Its role in the national economy cannot, therefore, be too highly estimated. Its psychological value as instilling prudence, forethought and thrift is equally incalculable. Its

place and function in the smooth working of a country's economy is undeniable.

Insurance against Speculation.

We may, at this stage, compare and contrast the place and function, in a country's national economy, of Speculation and Insurance. Both are economic forces. and each has its own function or utility. Both may also be said to help in stabilising prices, and so maintaining smoothness and continuity in the productive organisation, on a relatively even keel. These qualities may, indeed, be attributed to either of these forces, as understood in the best sense of each.

Taken at its best, Speculation is an intelligent anticipation of future trends in the working of demand and supply; and such action, in consequence, on the part of the speculator, as would, over a given distance, maintain equilibrium between these forces, and so stabilise the economic system. It does not add directly to the volume of material production. But it brings about conditions in which production may function without unnecessary disturbance.

This mechanism can function only under a system of individualist economy, motivated by the desire for private profit, and founded on individual property. In an economy which is socialised to any considerable degree, the role of the speculator will be absorbed in the Collective State, conducting the entire economic system in common interest; when many forms of Insurance, now considered of the highest importance, may become unnecessary.

Insurance, on the other hand is the other side of the medal of speculation, theoretically speaking. Their common features have been noted already. But they have fundamental differences as either works from opposite ends, though aimed to achieve the same goal. While Speculation, in its most commendable aspect, helps to guard against disproportionate fluctuations in the play of Demand and Supply. Insurance, properly directed, aids in providing against risks that may have actually occurred. It is rather the past mishaps it seeks to indemnify for, than try to neutralise future trends. It thus helps to make innocuous the hazards of enterprise; Speculation tends to safeguard against the future chances of loss or deflection, through the erratic behaviour of the laws of supply and demand. Both are founded on a careful study and understanding of the data, information, and statistical material available to either. In both cases, again, risks are taken over by a third party in consideration of a premium or

profit. But while the former is definite and paid in advance, the latter is chancey, and may never be realised; though if and when it is realised it may bring disproportionately high returns which may justly be regarded as unearned income. Insurance helps to stabilise and rationalise production as well as distribution by guarantee against loss if it can be expressed in money terms. Under the existing dispensation, insurance is also motivated largely by the Profit motive. It does not insure against the usual losses of modern enterprise; or of the earning capacity of the individual or of a business concern. The indemnity or compensation it gives does not restore the lost earning capacity. Only it minimises the evil consequences of such a loss for the time being whether the party concerned is a worker or a factory. It helps in tiding over this period. Insurance, likewise, does not insure against "consequential loss" whether of earnings or profits, during the time the worker or the factory was incapacitated. This is a serious lacuna which will not be filled up until the State takes over the entire business of Insurance.

Insurance should be Nationalised; Speculation Penalised.

The benefit of Insurance is reaped **after** the contingency insured against occurs. The direct benefit of Speculation is only to the speculator. And even if there is an indirect, unintended benefit resulting from speculation, the producer,—or the entire productive organisation of the country—will receive only a remote, disproportionate fractional share of it. The modern tendency, therefore, is that while Insurance needs to be recognised as an indispensable social service which should be conducted as a public utility, as a collective enterprise, Speculation should be regarded as superfluous in a rationalised economy; and as such ought to be forbidden altogether, or heavily penalised.

All this is on the assumption, be it added, that Insurance as well as Speculation should be taken in the best light possible. We have, accordingly, assumed these to be based on correct objective data, a scientific appreciation of known facts or trends; and not just blind hazarding for personal profit. There is, normally, however, a greater chance of speculation operating to the disadvantage of the individual concerned as well as of the community; and as such requiring to be kept under the most stringent control, even if wholesale prohibition is considered not feasible. Insurance, on the other hand is also liable to abuse, while it remains a private enterprise, motivated, however remotely, by the desire for private

profit. But the scope of abuse, and the possibility for mischief, are limited, and can be minimised by rigorous control of the State, even if it is not wholly made into a State enterprise, all at once. The inevitable tendency of the age is to turn it into a real public utility, owned, manned and operated by the State in the interests of the community. Recent extension of the principle of Insurance covers the entire field of national economy, both in its human as well as material aspect. Modern Commerce and Industry are mutually so intertwined, and the entire national economy is so dependent thereon, that serious damage or obstruction in any part would impede the work of all other parts however remote and unconnected they may appear to be from one another.

Organisation of Insurance Business.

A scientifically planned and carefully operated national economy would naturally and effectively guard against such a danger by providing, or at least closely controlling and regulating Insurance business in the common interest. It thus increasingly becomes a Public Utility and Social Service, even though it be not directly productive of material goods.

The National Planning Committee has accepted the principle that all Public Utilities and Social Services should be owned,—or at least rigidly controlled, by the State in the interest of the community as a whole. But the heritage of our recent past stands in the way. Insurance like other social services or public utilities, started in this country, as in the West, from which they were copied, as private enterprise, where the Profit motive was predominant. It is beginning, however, to be more and more realised that, if this service is to rise to its nation-high stature, the element of private profit must be progressively excluded, till that element disappears altogether. This will become more clear in the sequel wherein the existing forms and machinery of Insurance are examined.

(1) Proprietory Organisation.

There are at least three principal forms in which current Insurance business is organised in India. There is (1) the ordinary, public Joint Stock Company, a proprietory organisation, with limited liability for its shareholders. Here the Profit Motive is present in full force. But the growing recognition of the common, national stake in this business has led to increasing control and close regulation by the State in public interest. The gradual elimination of its un-

desirable feature, viz. private proprietorship and profit motive, is also not far distant. For instance, the State has compelled Insurance Companies in recent years, by law, to dispense with the Managing Agency system which had disfigured Joint Stock enterprise in India ever since its start. The same law has enforced a growing degree of control over the collection of premia, their investment and management; the status and function of Insurance Agents, and limitation of Agency Commissions legally allowable, and many other details regarding the actual conduct of operations, keeping of accounts etc.

In certain forms of Insurance, the State takes a more direct hand, e.g. provision for Old Age; Health &c. In these cases, even if the State does not directly own and conduct the business, its control, supervision and regulation becomes daily more extensive, more exacting and more effective. The analogy, or example, cannot but be followed in other forms of insurance; and so the trend seems to be in the direction forecast above.

(2) Mutual Insurance.

The second most considerable form of organisation is Mutual Aid Society. This has comparatively small business, but is the true method of providing this truly public utility and real social service, so long as the State does not take Insurance Business over collectively, and conduct it as a public enterprise. Statistics are given in the Summary of Developments indicating not only the recent progress, but also the relative proportions of the business done by either form of organisation.

In principle this is in marked contrast with the Joint Stock enterprise in Insurance business. It is based on the Co-operative ideal of mutual help by the beneficiaries to one another. There are no shareholders or proprietors in this arrangement. No profits have, therefore, to be distributed among the owners of the business. All the net surplus of revenue over expenditure is available for distribution among policy-holders whether in the form of cash bonus, in reduction of premia rates, or by some indirect service.

Though essentially a co-operative arrangement, there are, however. a few individuals, Chief Agents and such like, who have a dominating voice in the conduct of affairs. This is due to their holding proxies for a large number of Policy-holders, whom they induced in the first instance to be insured; and who, in recognition of this help, and perhaps to

avoid the bother of looking into details of a business they do not understand, make over their authority or power, to be exercised by such individuals. In actual working, therefore, this type of Insurance organisation differs very little from the ordinary, proprietory, Joint Stock concern.

Even in the Life Insurance business carried on by Joint Stock Enterprise, there is a growing demand to make the Policy-holder share, one way or another, in the profits of the concern. In the Endowment Policy, insuring a life for a fixed term, there is provision for some bonus to be declared and added to the value of the policy from time to time, which is an indirect form of giving a share,—or recognising the stake—of the policy-holder in the success of the business. Some concerns seem also to have learnt the lesson of American experience and policy in this behalf, whereby quite a considerable proportion of the premium income is invested, —if the term may be used,—in developing health services, spreading knowledge about the ways and means of maintaining and improving the health of the insured, or of the community collectively; and even helping to get the best treatment and proper diagnosis of disease among the insured when it occurs. This is another manner of enabling the insured to share in the resultant benefit, though, of course, the whole of the surplus is not returned to the "consumer" of the service, as is the true principle of Co-operative enterprise.

The Premium rates are also slowly lowered, if actuarial data advise that course. But so long as private enterprise persists in this great field of social service and public utility, neither lowering the premium rates, or giving away bonus, nor increasing the wages of those serving in the enterprise, can stand in the way of the proprietor's profit being distributed in as full a measure as permissible. A statutory maximum of distributable profit may be palliative; but the basic principle would not be altered by such devices. In the Mutual Society, also, the root evil of the individualist system of our society is evident, as therein, too, the distribution of surplus has more the air of profit to the proprietor of agency rights than to the real source of the business.

A noteworthy development in this line is the Thrift Society, intended to promote the habit of saving among urban proletariat. Each such society collects regular monthly savings from members for a period of two to four years. These savings are invested and the amount collected is returned to the subscriber at the end of the period with interest. Thrift is a well known form of real self-insurance.

Life Insurance Societies seem to have evolved out of this; and they are now in operation in Madras, Bombay and Bengal. The Bombay Society, started in 1930, worked in the beginning as a Provident Society only. It issued policies of Rs. 150 to Rs. 500, and that without medical examination. It was intended to bring Life Insurance on economic terms within the reach of small income brackets, in village as well as in town. There is no share capital, and the Society works as a Mutual Society. In recent times, it has widened the scope and has begun writing policies for larger amounts. The total business, according to the latest figures, is over 2 crores. The Bengal venture on the same model could not succeed, and so has had to be amalgamated with a Joint Stock Company. The South India Co-operative Insurance Society started as a full fledged Insurance concern, with share capital and comparatively low premia rates; and the business aggregates over Rs. 3½ crores now.

(3) **Post Office Insurance.**

In contrast with the Joint Stock Concern and Mutual Insurance Society is the Postal Insurance system, which is meant primarily for the employees of Government.

Under General Rule No. 2 of the Post Office Insurance Fund Rules, the benefit of the Post Office Insurance is open to:—

(a) all permanent Government servants in railways, or other offices or departments, and Post and Telegraphs, whether serving in India or abroad;

(b) those in the Military Work Services and clerks in the Military Accounts Department;

(c) temporary and officiating Government servants, whose pay is regulated by the Fundamental Rules or Civil Service Regulations, provided each applicant for such insurance has attained majority, and has been duly certified to be in Public Service;

(d) this also applies to section writers, declared by a gazetted officer of the Department to which they are attached to be eligible for admission to the benefits of this Fund;

(e) permanent servants of the Universities in India;

(f) Government servants paid out of Local Funds and

(g) probationers in Government employ are likewise eligible;

(h) permanent servants of the Government aided educational institutions;

(i) and of the Council of Scientific and Industrial Research are also entitled to take the benefit of this Fund.

No one, once admitted to the benefit of the Fund, can be debarred from it, even after leaving the service for whatever cause,—except for false information while being insured.

Two forms of Insurance are allowed under these Rules, viz. Life and Endowment Insurance. According to the latest statistics available, i.e. up to the end of 1944-45, the total number of lives insured at the end of 1944-45 was 15,629; and the total value was Rs. 3,71,39,687. The total number of Endowment Policies in force was 77,331; and the total value of those policies was Rs. 15,10,73,472. The Premium realised on all Policies, whether full Life or Endowment, was in 1944-45, Rs. 75,49,000; while the total claims paid in that year amounted to Rs. 85,34,000. The total Life Insurance Fund amounted to Rs. 195,05,551; and the corresponding figure for the Endowment Fund was Rs. 884,24,144.

Any person who is admissible to the benefits of the Post Office Insurance Fund may effect an insurance on his life for a sum not less than Rs. 100, nor more than Rs. 20,000 payable at death; or may purchase an endowment assurance policy within the same limits of maximum and minimum sum, payable on his attaining 45, 50 or 55 years of age, or on death if it occurs before the specified age. Needless to add that those insured under this Fund have direct Government security than which no security can be greater.

The premium is collected by monthly payments until the person insured reaches the age of 50 or 55, or during the life of the insured if death occurs earlier than 50 years of age. In the case of an Endowment Policy, the premium is collected by monthly payment until the insured reaches the age of 45, 50 or 55 years. The first premium must be paid in cash; but afterwards it may be deducted from the monthly salary while the insured is in service, or be paid otherwise by the insured.

The other formalities regarding the soundness of the life to be insured, the mode of assignment, the procedure for paying up the sum assured on death or maturity of an Endowment Policy, the rules and conditions of medical examination of the Insured etc. are similar to those pursued by a Joint Stock Life Insurance Company in like cases. There are,

however, no intermediaries or agents, to whom Commission must be paid; and the premium rates compare not unfavourably with those charged by the ordinary Insurance Company.

Provident Fund System.

The system of Provident Fund for public private employees, particularly where there is no arrangement for superannuation pension, partakes of the character of Insurance in many important respects. It is a form of thrift, or saving, which enables a worker to provide for a rainy day, when the earner is incapacitated from work by death.

It has many advantages over other forms of Insurance and also over Superannuation Pension. The worker is conscious, every time he makes a payment on account of his Provident Fund, that he is himself contributing to the provision for his old age or incapacitation. This is not so clearly evident in a Pensions system, even where the pension is made up of contributions from the worker during the period of his active work. Even though Superannuation pensions are paid, theoretically, out of a portion of the pay due to the worker deferred, the true nature of that amount which is deferred pay is not recognised by the contributory, or by the community. Pensions, moreover, are available only on reaching a prescribed age, or having put in the prescribed period of service. The Provident Fund, on the other hand, accumulated from year to year, is available, in case of need to the worker at any time even during his active working life. A Pension again is a fixed, regular payment, which ceases with the life of the pensioner; while the Provident Fund brings the accumulated total of his own and the employer's contributions and interest, in cash on the worker reaching a given age. The contributing worker is thus in a position to enjoy the fruits of his thrift while he is alive; and also able to make some provision for his family or dependents.

In the earlier years of the worker's life, the contributory Provident Fund has a disadvantage over the Endowment Life Insurance, which is also a form of Provident Fund, or vice versa. For the total value of the contributions would be negligible in the event of the worker dying at an early age. This Fund, moreover, is usually made up of the periodic contributions of the worker and his employer. The rules however affecting the Provident Fund leave a margin of discretion to the employer, and permit a variety in the rates of contribution, which cannot but militate against the utility of the Fund. It is, therefore, necessary to make this form of

contributory provision for a citizen's old age or premature incapacity to combine the advantages of the Pension system and Endowment Life Insurance somewhat on the lines of the Family Pensions Fund of the Indian Civil Service.

It is not impossible to approximate the Government and all other pensions to the Insurance System Annuities or Life Endowment. In fact, the Pay Commission of last year (1947) has recommended some arrangement of this kind. The administration can then be made much more economical and business-like; the contributions more scientifically calculated and collected; the Funds more productively invested; the habit of thrift and self reliance more widely inculcated. In a planned society as envisaged in this Series, Superannuation or Old Age provision would have to be made for all citizens alike who have contributed a prescribed length of Service under the Plan; and provision for their Old Age or incapacity will have to be made as part of the nation's obligations to its members. This can best be accomplished by bringing such provision in line with the National Insurance Service.

Another much over due improvement in the system would be to vest the management of all the Provident Funds throughout the country in a single Statutory Corporation, working on a non-profit basis. In such a system, service rendered, or work done no matter in what capacity and for what employer, should be treated as integral part of the aggregate national work; which must be accordingly, provided for on a national basis. The discretion of the employer in handling the funds must be curbed; arbitrary rules regarding Provident Fund in the various employments, particularly in the sector of the national economy under private enterprise must be standardised; the chances of injustice to the worker, must be eliminated altogether. All work or labour must be taken as integral part of the national service, as part of the planned economy, and as such must be provided for against all the normal contingencies of working human life. The principle of Workmen's Compensation or of Maternity Benefit, can be similarly brought under one uniform administration, governed by the same principles, and worked on a non-profit basis as public utilities or social services.

There are, according to the Insurance Year Book for 1946, some 136 Provident Societies in India, of which nearly half had headquarters in Bengal, and a quarter in Bombay. The total number of policies in force with these societies was 76,410 at the end of 1945 of the aggregate value, including bonuses of Rs. 2,48,82,200 and annuities aggregating Rs. 22,600.

National Health Insurance.

Until a system of national health insurance for all citizens is adopted, as a compulsory provision in the contract of employment of labour, and also for professional men, artists, writers, traders etc. working on their own without having any single definite employer, the compensation paid by employers to their workmen for accident, illness, or other contingencies like maternity, will remain more or less at the discretion, if not at the mercy, of the employing class. If we desire to guard against this, it is imperative that this particular form of Insurance should be nationalised wholly from the start. The scope for the employer's discretion or arbitrary action must be eliminated altogether. The chances even of the medical profession acting as exploiters of illness, accident or disablement would be minimised as recommended by the Bhore Committee on national health. Other sections of the population, including the vast volume of agriculturists, have yet to be brought within the pale. But a beginning may well be said to have been made on sound lines.

As remarked in another volume in this Series, i.e. that on Labour, a beginnnig is being made in the direction of systematic national Health Insurance at least for the industrial worker by a proposal for legislation in the Indian Legislature at the moment of writing. This will protect the worker against all accidents in the course of his employment, and any illness to which he may be exposed. The protection will be in the form of medical relief and general health service which will be wholly nationalised. It would, therefore, be no concern either of those who render the service, or those who benefit from it, to derive profit for themselves out of this arrangement.

The industrial population of this country, however, is very small, being less than a fraction of the total working citizens of India. The extent, therefore, of the benefit derivable from this beginning, would naturally be very much restricted. If the system, however, is to benefit every citizen and effectually guard him against all the normal risks of life, it must be extended, as the Beveridge Scheme has been extended in Britain. Every adult citizen should be brought within the scope of this arrangement. Drones and butterflies, —the gilded youth and boastful age of those unemployed, or living on their property or wits, must be eliminated. None shall have bread to eat who would not work. None shall be parasites, none must be exploiters, none need be unemployed. The National Insurance must be compulsory and universal,

providing not only for sickness and old age, accidental disability and family or social obligation; but also against unemployment. Many of the contingencies or obligations now having to be provided by every prudent citizen on his own, will be national obligations, e.g. education for one's children. And what remains must be safeguarded by collective enterprise. Such insurance cannot be deemed charity, as each individual would be contributing his own share, scientifically calculated in the shape of premium so that whatever benefit he receives would be his rightful due again calculated on a scientific basis and awarded as a matter of right.

Under the system of national insurance here envisaged, employment will be guaranteed to every citizen in accordance with his training, taste or temperament; while unemployment will be effectively insured against. If no one is to be a parasite, no one should also be out of work. It would be the function of the National Plan to see that there is employment for all, and unemployment for none.

Obsoletion of Life Insurance in this Scheme.

Once the system of Insurance is universalised in the manner indicated above against all the normal contingencies of life for human beings, there would be no need to provide for what is perhaps the largest single branch of insurance business today, namely Life Insurance, if work is guaranteed for every individual, and all normal contingencies of human existence are guarded against. If, further, the old age, or enforced incapacity of individuals, is similarly provided for by the collective action of the community, the interest of anyone after death would be nil. The present necessity for every prudent individual to make his own provision by way of Insurance for his family dependants is inescapable. For unless an individual exercises his own prudence, there would be no agency to look after his natural dependants once his own guiding and helping hand for earning is removed. On the assumption made above, this would no longer be necessary when the State takes up all other forms of Insurance, including insurance against any contingencies or guarantees work in accordance with everyone's ability, aptitude and training.

Forms of Insurance.

The Report of the Sub-Committee gives in detail the insurance business as practised today under the agency of private joint stock enterprise, mutual society or collective

effort. As stated already, Life Insurance forms the most important of these categories. There were, on 30th September, 1945, a total of 330 life insurance concerns at work in India, of whom 230 were Indian. The total number of policies in force, on the same date, was 25,92,000 of which 23,76,000 were with Indian concerns. The total amount insured for was Rs. 551.28 crores of which the Indian concerns' share was Rs. 459.43 crores or nearly 90%. The premium income totalled Rs. 22.43 crores of which the Indian share was Rs. 18.10 crores. In this sense of the term Insurance business is being rapidly notionalised, i.e. being owned and manned by Indians for Indians. But in the larger, fuller sense the business has yet to be nationalised, in Life as well as in other respects. The non-Indian enterprise, though rapidly diminishing in scope, still retains the more profitable sections even in Life Insurance, the average value of the life insured by Indian concerns being Rs. 2,206, and that by non-Indian concerns being Rs. 5,587.

Mention may be made in passing of a handicap which Indian enterprise in this field used to suffer from until the country attained Independence. The competition of foreign, particularly British, enterprise was severe, as it received a preferential treatment in the collateral services of banks, shipping, and business in general. This handicap is now of very little significance, as the Indian Legislature is now sovereign at last, perfectly competent and clearly resolved to provide all the necessary safeguards for indigenous enterprise. The actual conduct of business in this field may be open to criticism. But it cannot be denied that the recent expansion in the volume of business, as shown in the tables given in the Summary of Developments at the end of this volume, has resulted as much because of the growth of consciousness amongst the people of India regarding the need for Insurance, as to the facilities, encouragement or protection provided by the State for this enterprise.

Life Insurance Business in its various forms, including whole life, endowment policy, or the annuity business, to provide maintenance during old age, superannuation or special arrangement for the education of children, their marriage and settlement in life, dowries for girls and so on, is still no doubt, the most important form of Insurance. But there are other forms no less important, such as all kinds of accidents to the individual or to property, by fire, collision, earthquakes and other visitations; loss by theft or burglary, riots, and civil commotion, form yet another category of insurance business which must diminish in importance in

proportion as the place of property in the national economy is reduced, and in proportion as a settled Government with law and order prevails all over the land. The insurance of property would, in fact, become progressively as unnecessary as insuring one's life, if the entire national economy becomes socialised; and all agencies and their working belong to the community collectively, their benefit being taken by the individuals forming the community as a whole. The State conducting all productive enterprise, social services and public utilities will, of course, make provision by way of depreciation of plant, buildings and machinery; repair and replacement; obsolescence and renewal. Such provision would theoretically be a sort of insurance against each particular contingency occurring. But the Sovereign State with collective enterprise, operating a scientifically planned economy, need not rigidly follow the same rules of conduct it may itself have imposed on private entrepreneur in a regime of individualist, uncoordinated, anarchic economy. Finally a a word of acknowledgement is due to those who have helped the undersigned substantially in preparing the Introduction to this Report and the Summary of Developments. Mr. B. K. Shah, General Manager of the New India Assurance Co., Ltd., who had acted as **de facto** Secretary to this Sub-Committee, and that Company's Actuary, Mr. Vora, have been of great help for which no expression of thanks can be excessive.

K. T. Shah.

INTERIM REPORT
of the
Sub-Committee on 'Insurance'.

1. The National Planning Committee appointed a sub-committee to deal with:—Insurance including life, accident, fire, marine, and general; but specifically excluding industrial and agricultural insurance, which were entrusted to a separate sub-committee.

2. The scope thus assigned to our sub-committee, in the present stage of the organisation of insurance work in this country, and its potentialities for expansion, is so vast, that the data and information relating to our subject were difficult to collect, even where they existed within the time at our disposal; and so unreliable that the sub-committee feel that the time allowed to them for submitting the report would not suffice to enable them to complete a comprehensive report covering all aspects of the subject.

3. At its very first meeting the committee decided to proceed by the method of preparing a questionnaire specifying the problems involved in the reference made to them, and inviting replies from associations and individuals presumed to have specialised in that business, or to have experience of conducting that business sufficient to enable them to give valuable opinion or information on the particular problems referred to them.

4. Though ample time was given to such persons and associations as were invited to reply to the Questionnaire, the substance and character of the replies received were in many cases far from what the sub-committee had expected. Meanwhile, the time allowed both to the National Planning Committee, and to the sub-committee, to submit the report, was fast expiring; and so, at their next meeting, the sub-committee decided to proceed by the method of laying out its own problems, or defining the specific issues involved in the subject matter of their Reference; and making brief recommendations on each of those items with the help of such members of the sub-committee as were able to be present and help in the discussion.

5. These issues were, accordingly, prepared and circulated amongst the members, and a meeting of the sub-committee was called and held on the 17th, 18th and 19th March,

1940, where general decisions outlined below were arrived at on the issues placed before the sub-committee:—

6. At the outset, the sub-committee would like to observe that their Report must be taken as an integral whole, which cannot be accepted in parts only. They believe there is some ground to apprehend that, under the present constitution of the country, while certain of the recommendations may be taken up for adoption by the Central Government or Provincial Governments, which suit their respective policy or convenience, others,—perhaps more important from the point of view of our national economy,—may be ignored. The sub-committee are aware that the division of functions as between the Central Government and Provincial Governments, under the Government of India Act, 1935, makes the question of Insurance a matter of overlapping jurisdiction, at least in some regards. Hence, while the general policy is determined by legislation enacted by the Central Government, its administration is left in the hands of the Provincial Governments. In this state of affairs, any recommendation of the sub-committee, which may be calculated to encourage, for example, indigenous enterprise may not be possible for the Provincial Governments,—who have administration of law in their hands,—to carry out. The Central Government may on the other hand actually adopt a line of policy which may fail to give effect to the purpose the sub-committee may have had in view in making their recommendations. This is why the sub-committee desire that their recommendations must be taken as a comprehensive and indivisible whole, which must be adopted or rejected as a whole:

7. The sub-committee also realise that insurance service, like all other parts of the national economy, will be an integral part of the system of planned economy which the National Planning Committee is set up to formulate. Under such a planned system of national economy, which carefully guarantees all parts of the material as well as cultural life of the nation to be simultaneously organised and developed, there will necessarily be a large scope for expansion in the insurance service as in other services of a social character. The sub-committee feel it all the more important, therefore, that, in giving effect to their Report, the recommendations must be all taken to be inseparable parts of one comprehensive scheme, and not in one or more separate blocks, or treated apart without materially damaging the entire scheme.

8. The sub-committee would accordingly recommend to the Planning Committee that every care should be taken, in formulating their Plan, that so far, at any rate, as their re-

commendations relate to the Insurance service, those recommendations would be treated as integral comprehensive scheme which may be adopted either wholly or not at all.

9. The sub-committee are not unmindful of the possibility that there may be individual recommendations among those made below, which, like that with regard to an intensive encouragement of Provincial Governments to the indigenous enterprise by every means in their power, or a system of compulsory reinsurance by non-Indian insurance companies working in India with Indian insurance enterprise, which may be possible to give effect to immediately, even without waiting for a comprehensive National Plan to be formulated. The recommendation of the sub-committee above, viz. that their Report be taken as an integral whole, should not be treated to preclude the possibility of such an action being taken to the advantage of the indigenous enterprise, and to the betterment of the service rendered thereby, pending the formulation of a comprehensive plan of National Economy.

10. The sub-committee will now proceed to develop their specific recommendations. In putting forward their recommendations the sub-committee have taken the entire field of Insurance services, included in the reference to them, as divisible into 3 main parts namely,

(i) that, suitable, in the opinion of the Sub-Committee, for being conducted by the State as a kind of national service.

(ii) that part of the work which in the opinion of the sub-committee, may best be conducted as co-operative or mutual enterprise, and

(iii) the remaining portion, which may be conducted most efficiently by private enterprise, under the general supervision and control of the State.

11. Before proceeding further, the Sub-Committee would like to point out that there may be a common margin of the field left in which all the three classes given above may overlap, namely as between 1 and 2, and 3, 2 and 1.

12. In the opinion of the Sub-Committee, Item 1 in the Issues placed before them would cover all insurance relating to what are collectively known as Social Security Services. This may include:

a. insurance regarding health or sickness, and all attendant and consequent needs;
b. provision for old age of given classes of individuals who are unable to make corresponding provision for this; and

c. unemployment relief for those who, having been once employed, have been thrown out of employment for no fault of their own.

13. In this connection also, the sub-committee would like to point out that the term Public Utility Concern or Service, if applied to Insurance, is likely to be misunderstood. Generally speaking, that term is used in connection with the supply of water by Municipalities, or of sanitation, light and power by corresponding authorities, or by the Local Government. The Insurance service is of a wholly different type, and we would not like Insurance even spoken of as a subject of public utility, to be confounded with the items we have mentioned above. It is a service of national importance, no doubt; from which the profit element should be, if not eliminated, at least minimised as much as possible, either by withdrawing certain categories of insurance business from the purview of private enterprise as given above, or by a strict regulation and rigid control of the entire business which is left in the hands of the private individuals, so as to minimise the profit element.

14. The sub-committee would further like to point that, in regard to such Insurance work as is conducted by the State directly, i.e. the Social Security Services mentioned above, these must be provided on the basis that:—

a. The Insurance provision is made compulsory throughout the class to which it applies, and throughout the whole country as regards that class of people;

b. It is made on the basis of contribution from all the classes or groups concerned, or benefited, by the provision of that service, viz. the worker, the employer, and the State;

c. In defining employment, which would serve to qualify for Insurance benefit, care should be taken to exclude all those factors which are likely to give occasion for fraud or misuse.

15. The contribution, it may be added, would be in stated proportions,—not necessarily equal,—from the worker, the employer and the State.

16. The State would manage the funds thus collected, and would also make up the balance, as and when it may become necessary, for providing the relief that may be needed in any given period. The conditions, also, under which such relief may be given, will have to be carefully laid down in the law governing such Insurance, and in the rules under which the management of the funds collected will be defined.

17. In the second category, viz. Insurance business deemed appropriate to be conducted by Co-operative or Mutual Enterprise, the most important would be Life Insurance in all its forms, whether by endowment, annuity, or other special life policies, including provision for higher education for growing children, or other special contingencies like dowries on the marriage of daughters, holidays, fidelity, credit, etc. The distinguishing features of Mutual Insurance Enterprise are:

i. The management is supposed to be for the benefit of all co-sharers, and by their representatives, who are chosen from among themselves; and

ii. the net surplus remaining after the usual provision for reserve, etc. has been made, is divisible in stated proportions amongst the members.

18. In this manner it may be said to minimise, if not eliminate, the element of private profit. It would also provide for a measure of publicity as regards the conduct of the enterprise, which may be regarded as the distinguishing characteristic of all public enterprise, and constituting a healthy check upon the actual administrators of such enterprise.

19. In this connection, it may be interesting to note that, thanks to the growth of Mutual enterprise of this character, which divides the surplus amongst the assured, even private enterprise or proprietory concerns are being increasingly obliged to distribute, by way of bonus, amongst their policy-holders a major portion of the surplus, which they obtain in the conduct of these enterprises. Competition, therefore, between such Mutual and Private Enterprise seems to result in the benefit of those who receive the service. And, if the system continues to grow on the same lines, there will be little danger of the assured being exploited for the benefit of the proprietors of an Insurance concern.

20. The system of Mutual Insurance may also be suitable, the sub-committee think, in regard to such other contingencies of life or business, as may be of a homogeneous character and may be common to more or less homogeneous groups, such as fire insurance in building societies particularly; and employers' liability, under the employers' liability acts, which are becoming a common feature of modern industrial societies.

21. The remaining category of Insurance work defined in paragraph 10 above, may, the Sub-Committee believe, well be left to private enterprise. It need not of course, be

the exclusive domain of private enterprise, because in a number of cases it will be conducted side by side with mutual enterprise of a like nature. As noted just above, the presence of Mutual Enterprise, and its peculiar characteristics of distributing amongst the assured, would help to make Private Enterprise more and more serviceable to the assured, and less and less likely to be an engine of exploitation for the benefit of private proprietors.

22. At this stage, it is unnecessary to specify more particularly the conditions which must regulate such enterprise in Insurance. All Insurance work, no matter by what agency conducted, must be under a close, constant and regular supervision and control from some Central Government Institution, so as to safeguard properly the interests, not only of the insuring public, but also of the entire National Economy, of which it is a part.

23. After giving this general view of the division of Insurance work, and the conditions under which, in general, it should be allowed to be conducted in its several categories, the sub-committee would now proceed to lay down certain very general principles of policy, which, they consider, ought to be adopted in organising and providing the Insurance Service in the country.

24. The objective to be aimed at in regard to the Insurance Service, in all its varied forms, should be: that all contingencies of daily life should be duly provided for, thus rendering the individual free from the anxiety of social insecurity, which to-day accounts for a large wastage of human energy in the mere anxiety to find ways and means of maintaining a certain level of social security.

25. At the present time, out of the total potential scope for Insurance in regard to life, fire, marine, burglary, robbery, or theft, all other forms of property insurance, or such risks as earthquake, business interruptions, civil commotion, title, credit and fidelity Insurance, are covered, not to the extent even of one per cent of this potential margin.

26. Ways and means must, therefore, be devised, as integral parts of the Planned Economy, to educate the public to realise the vital importance of Insurance Service, and to develop the national economy on a basis to afford such insurance so as to round up and complete the sense of social security, in the period of the Plan progressively.

27. A general policy should also be laid down, if so considered advisable, for the progressive acquisition by the State of such forms of Insurance Business as may be under

private ownership and management, with just compensation of those private interests which have been engaged in such business.

The Sub-Committee, however, would add that this question is of general application, and that accordingly it should be dealt with by the Planning Committee as a whole, while that body deals with various industries and enterprises. Whatever policy is there recommended, will also apply in this case. So far as Insurance business goes, the Sub-Committee is of the opinion that this service is of vital importance to the nation; and, therefore, it is essential that its safety and efficiency should be fully safeguarded. These, the Sub-Committee consider, are best brought about by healthy competition; and, accordingly, they have recommended a system of regular Government control and supervision. The Sub-Committee are, further of the opinion that, should circumstances arise where the above essentials of safety, efficiency, and competition in Insurance are endangered, or eliminated, the State may take such steps as it deems necessary, including acquisition of such business with just compensation.

28. In order to organise the National Insurance System on a sound, all-round, nation-wide basis, embracing every contingency needing to be insured against, it would be necessary to establish a Central Co-ordinating National Insurance Institution.

Such an Institute would not only provide for the management of such of the Insurance Business as is carried on by the State or any of its representative directly, but also for the supervision, control, and regulation of those portions of the Insurance Business which are under private enterprise, and also for those to which the State becomes a contributory.

29. There is, at the present time, a great dearth of statistical data and other material needed to provide an efficient Insurance Service, as regards all forms of contingencies needing to be insured against. It must be, therefore, one of the most urgent and important tasks of this National Insurance Institution, assisted by a representative body, to collect the necessary statistics, data or material, which are at present lacking, with special reference to India, but also comparatively so as to ensure a proper basis under Indian conditions for rendering such Insurance Service.

30. At the present time, the data, material, or statistical information on which insurance business is being conducted in this country, whether by Indians or non-Indians, are mainly of non-Indian origin or non-Indian analogy. This is

essentially unsound, and liable to betray the entire Insurance Business into unwholesome channels. The Central Government of the country must accordingly be requested to take this work of compiling materials on the items mentioned in Appendix I,* required to devise the National Insurance Scheme for social security services, immediately in hand, whether on the occasion of the approaching Census in 1941, or by some specific organisation exclusively devoted to this work.

31. The National Insurance Institute should have its counterpart in every province and other units forming the Federation of India, wherever any form of Insurance is being carried on directly by the State or its representative, or in which the State or its representative is directly concerned as a countributory or otherwise.

32. The division of powers and functions between the National and Local Insurance Authorities representing the State should run mainly on the general lines as follows: viz:—

(A) the Central Authority should lay down the basic policy, and exercise control, particularly over the investment of funds provided under the different heads of Insurance; while

(B) the Local Authorities representing the State, each in its own area, should concern itself with the carrying out of that Central Policy and administering the daily affairs of each such insurance unit on a common basis prescribed by the Central authority.

33. Insurance business in this country carried on by Indian as well as Non-Indian enterprise, is mainly, if not wholly, of a private character. Apart from the Post Office Insurance for their employees, and provision by way of provident fund by the State Railways or for some other categories of public employees, there is hardly any kind of public Insurance Enterprise in this country.

34. Non-Indian Insurance Enterprise is generally able to compete on unequal terms with the corresponding Indian Enterprise, usually to the prejudice of the country. Any scheme of National Insurance must, therefore, provide for the entire insurance service being organised by indigenous enterprise.

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* Cp. page 84, Questionnaire.—Editor.

35. Where indirect or direct advantages are enjoyed by non-Indian Insurance Enterprise as against corresponding Indian Enterprise, they must be effectively dealt with so as to secure equality of competition and opportunity for the Indian enterprise.

36. Non-Indian Insurance business operating in India should, likewise, be required to re-insure part of their Indian as well as non-Indian business with the National Insurance Authority in India.

37. The maximum scope open for the extension and expansion of Insurance Service in this country has already been indicated above. With a view to make Insurance co-extensive with all insurable contingencies, as integral part of the Plan, the State in India should, by legislation or executive action, as the case may be, adopt every device to facilitate such extension and expansion.

38. The portion of Insurance business, at present covered by Mutual or Co-operative Units, in comparison to that under private hands is shown under the following statistics:—*

Life Business

Companies	Business in India	Business outside India
1. **Joint Stock:**		
Indian	1,11,74,50,000	4,10,09,000
Non-Indian	5,26,53,000	—
2. **Mutual** (Death Benefit Funds excluded):		
Indian	11,03,11,000	12,15,000
Non-Indian	—	—
3. **Provident Societies:**		
Indian	10,20,68,000	—
Non-Indian	—	—

*Figures taken from the Government of India Insurance Year Book for business for the year ending 1945. The original Report leaves the blank in the text unfilled. —Editor.

39. In order to facilitate extension and expansion of the Mutual and Co-operative system, wherever considerable numbers of people, workers or otherwise, are to be found under more or less homogeneous conditions, every facility should be provided to encourage them to organise as Mutual or Co-operative Societies for Insurance against their common contingencies of Life.

40. Special Insurance Legislation providing for the Institution of a National Insurance Institute, as well as for the general regulation, control and supervision of the Insurance business in the country, must see to it that no unfair or unequal advantage is enjoyed by non-Indian enterprise in the field of Insurance in India.

41. As regards investment of funds collected by Insurance Companies, it is a very specialised business; and, as such, it should ordinarily be left to the Insurance Companies themselves to deal with it, under the general control of the Planning Authority. With regard to the general policy governing investment of Insurance Funds, we mention below some outstanding features of the Legislation and practice governing this subject in other countries, and suggest that a similar line be adopted in this country in that regard.

42. Re-Insurance business should progressively be Indianised. The scope of the business, at the present time, is indicated by the following*

"LIFE:

In so far as the Life assurance business is concerned the necessary reinsurance is secured through Facultative acceptance or sharing of risks among the Indian Companies. Very rarely Indian Companies have to seek the help of reinsurance companies situated out of India. This is usually the case when a policy for an abnormally large amount is required.

GENERAL:

Insurance being international in character, most companies desire to diversify their portfolio of risks and to limit their retentions according to the nature of contingencies involved and aggregation of risks.

It will therefore be necessary to spread the risks over as many Insurance Companies as possible, and this necessity has given rise to Treaties, local reinsurance and other arrangements.

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* For figures see the next page.—Editor.

The scope of Reinsurance is indicated by the following figures of selected Indian companies:—

FIRE BUSINESS

Year	Gross Premiums written in India by selected companies.	Net Premiums written in India by these companies	Percentage retained
	Rs.	Rs.	
1944	4,45,89,424	1,79,48,245	40.2
1945	4,90,60,883	2,08,35,584	42.5
1946	6,04,57,913	2,79,85,109	46.3

Looking to the hazards covered it is difficult to reinsure the whole amount in India.

MISCELLANEOUS INSURANCE

Year	Gross Premiums written in India by selected companies.	Net Premiums written in India by these companies.	Percentage retained.
	Rs.	Rs.	
1944	78,57,157	66,03,842	84.1
1945	93,82,464	78,82,289	84.0
1946	1,87,05,660	1,36,74,929	73.1

The decrease in the percentage of premiums retained by the Indian Companies in 1946 is due to the expansion of business on account of Third Party Liability business which was made compulsory for Motor Vehicles and which requires a proportionately larger reinsurance than most other classes of business transacted under the head "Miscellaneous Insurance."

MARINE BUSINESS

Year	Gross Premiums written in India by selected companies.	Net Premiums written in India by these companies.	Percentage retained.
	Rs.	Rs.	
1944	1,74,46,484	77,11,484	44.2
1945	1,42,33,031	76,95,469	54.0
1946	1,56,99,953	75,13,881	47.9

The Marine business involves risks which a prudent insurer would like to reinsure to a larger extent. And the nature of business is such that at all times we shall have to take recourse to the reinsurance market situated out of India."

43. While we recognise that a certain portion of funds of Insurance Companies may be made available for the purpose of Planned Economy, we are of opinion that it is so essential to safeguard the funds of Insurance Companies, that we suggest they should not be required to contribute a portion of their funds for this purpose, unless the choice of selecting the investment is given to the Insurance Companies, and all the investments are guaranteed by Government, both with regard to capital and interest with a further guarantee of a minimum rate of interest in the case of each such eligible investment.

44. All employers of every form of labour, whether individuals, Joint Stock Corporations, or Governments, should be required to institute some kind of Provident Fund for their employees, or make Pension arrangements, or help them in providing Life insurance, so as to assist them, their families and dependents, in obtaining a measure of social security, which would otherwise not be available.

45. Adequate arrangements must be made by the National Insurance Institute, under the general supervision of the Planning Authority, for the proper training, conduct, and discipline of those engaged in the Insurance Business, either as Managers, Canvassers or Statisticians and Actuaries.

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* The original text of the Report does not supply the figures, which have been since added with the help of the New India Insurance Company's actuary, Mr. Vora.—Editor.

46. Insurance being a necessary service to the public, in the opinion of the Sub-Committee, it is desirable that it should be made available at the cheapest cost possible. In order to bring about this, it is the opinion of the Sub-Committee that the cost of acquisition should be maintained at a reasonably low level. With a view to achieve this, the question of eliminating multiplicity of middlemen must be considered. In this connection, the number and various types of agents may have to be reduced.

47. The Postal Insurance Business, at the present time, covers the following main heads:*

"(1) All permanent Government servants (males or female) whose pay is audited in Civil or State Railway Account offices.

(2) All permanent members of establishments of Military Department, under audit of the Military Account offices, whose pay and allowances are regulated by the Fundamental Rules, Civil Service Regulations or Rules made under the Civil Service Classification, Control and Appeal Rules.

(3) All permanent Government servants in foreign service in India.

(4) Permanent servants paid from "Local Funds" as defined in Fundamental Rule 9(14).

(5) Military Upper Subordinates and Lower Subordinates (Military and Civil) of the Military Works Services and clerks employed in the Divisional Disbursing offices of the Military Accounts Department.

(6) All temporary officials belonging to Government Departments or offices and State Railways whose pay and allowances are regulated by the Fundamental Rules or the Civil Service Regulations and who are certified by a competent officer of the Government Department, Office or Railway, as the case may be, to be eligible, subject to the condition that the certificate shall not be granted to men entertained only in an emergency, or for any special work likely to last for a short time only, but only to those who are taken on for the purpose of supplementing the regular establishment and the duration of whose appointment will probably be continuous.

* The original text of the Report does not supply necessary information, which has been since added with the help of the New India Assurance Company's actuary.—Editor.

(7) Section-writers who are declared by a gazetted officer of the Department or office to which they belong to be eligible for admission to the benefits of the Fund on the terms stated in the letter of the Government of India, Department of Commerce and Industry, No. 7720-214, dated the 17th August 1908.
(8) All permanent servants of universities in India established by Government and under Government supervision.
(9) Officials ordinarily admissible to the benefits of the Fund, when deputed on Field Service outside India, even after they have left India.
(10) Probationers in Government employment and in the employment of 'Local Funds' as defined in Fundamental Rule 9(14) regarding whom a declaration is made by the Head of the Office, are employed on probation in or against substantive vacancies.
(11) All permanent servants of the State-owned but Company-managed railways.
(12) Extra-departmental agents in charge of sub and branch post offices.
(13) Typists and copyists of Civil Courts in whose case it is certified by a Gazetted Officer of the Department or Office to which they belong, that, the duration of their appointment will ordinarily or probably be continuous.

Any person who is admissible to the benefits of the Post Office Insurance Fund under rule 2—

(a) may effect an insurance on his life for a sum not less than Rs. 100 or more than Rs. 20,000, payable at death;
(b) may purchase an endowment assurance policy for a sum not less than Rs. 100 and not more than Rs. 20,000 payable on his attaining the age of 45, 50 or 55 or at death if death, occurs before he attains the specified age."

48. The funds collected by Postal Authorities under this system of Insurance amount to Rs............
and their investments are regulated as.........

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* The original Report leaves the blank in the text unfilled. The Postal Office Insurance system, originally confined to Postal Employees, was instituted in 1883, and is now open to all Government servants doing civil duties. In the year 1938-39 the total number of Policies under the Post Office Insurance system was 97,751 insuring a total sum of Rs. 20,89,98,000 including bonuses. The total income under the Fund was over Rs. 1,00,00,000; while the total of the Funds amounted to about Rs. 8,00,00,000. As on 31st December, 1945, the funds collected by the Postal authorities under this system of insurance amount to over Rs. 10 crores; and their investment is regulated like the investment of other Government Funds.—Editor.

INSURANCE.

FINAL REPORT

SECTION I GENERAL. BASIS OF INSURANCE.

1. The reference to this sub-committee requires all forms of middle-class insurance to be considered, leaving out, however, Industrial and Agricultural Insurance, which have been entrusted to separate sub-committees.

2. The forms and methods of Insurance, therefore, left over to be considered by this committee, relate to life, accident, fire, marine and other miscellaneous forms, which, by the growing complexity of modern social organisation, create risks that need to be insured against, if a tolerable stability and continuity of life and work are to be assured.

3. The essence of Insurance consists, by common agreement amongst all authorities, in the elimination of the uncertain risk of loss for the individual, by means of a combination of a large number of individuals exposed to similar risks, each contributing to a common fund regular payments called "premia", actuarially calculated to be sufficient to make good the loss caused to any individual by the occurrence of the contingency insured against.

4. It is, therefore, requisite, for a proper national insurance system to be developed that there should be:—

  i. Some definite, unknown contingency causing loss, or damage, to be insured against. It is the essence of this risk or contingency that it is uncertain or fortuitous;

  ii. Though uncertain, it should be capable, by a combination of the number of individuals exposed to similar liability, risk or damage, of being definitely calculated, both in regard to the frequency of occurrence and the amount of damage, loss, or liability caused being compensated for in terms of money. The law of average helps to distribute the loss over the widest possible region, and so minimise it to the individual actually suffering it if and when it occurs.

5. It must be noted that Insurance does not and cannot provide for a replacement of the identical insured article, or individual, or service lost or damaged or interrupted in any way. All that it can aim at providing is an equivalent monetary compensation, which may amount to indemnifying for

the actual loss suffered. The risk to the individual is considerable; but when large numbers, who are exposed to the same type of risks, are combined together, the incidence of the risk to each individual becomes very much smaller. The premiums paid are taken to be approximated to the actual loss caused in the aggregate.

In other words, the chances of uncertainty, of the measurability of risk, and its capability to be compensated for in money, must be premised as the indispensable prerequisites of Insurance.

6. It may also be added that the risks or contingencies to be insured against must be such as are not ordinarily likely to occur by deliberate act of the insurer. The fortuitous risks suitable for Insurance may be exemplified by loss through hail, or storm, or earth-quake. Even Death, though certain to occur, is uncertain as to its date of occurrence. Risks caused by deliberate acts, however, such as suicide or intentionally planned incendiarism, are covered, if at all, only under very definite restrictions and reservations.

7. Insurance, however, which is not intended to be merely compensation for the loss or damage actually suffered, but is intended to be some kind of a profit in addition to the damage recovered, ceases to be Insurance proper. There may be a hidden element of profit in the so called "valued" policies of Insurance against Fire, say in regard to such articles as works of art. While such exceptional cases are admitted and provided for, the general rule prevails that Insurance, to be a fair and reasonable provision against coverable risks, should be free from any intention of deliberate profit.

8. The legal systems of most countries, accordingly, require that insurance to be valid must be taken out by only those who have an insurable interest, and not by those who have no interest of their own, and who have no likelihood of sufferings any personal or direct loss, but insure someone else's risk so as to profit for themselves by its occurrence. The interpretation of the terms "insurable interest" has, no doubt, led to considerable variations in judicial decisions; but the basic principle remains and has come to be substantially accepted.

9. From the point of view of the Insurer the main objective is to combine the largest number of similarly exposed individuals, commodities or properties, and distribute the aggregate incidence of the risks and calculate the provision needed to compensate for them, so as to secure by accumula-

tion, a sufficient Fund to compensate or indemnify the individual suffering the loss.

The essence of insurance business, therefore, consists in collecting and investing the premia funds so as to provide the necessary amounts to meet current losses, and secure an adequate reserve against future contingencies of the kind insured against. In privately owned Institutions the premia will also include a little element of profit. The element of profit will not appear if the services are offered by the State, but the cost of services so rendered by the Government Department are likely to be disproportionately heavy, which in comparison will make the small element of profit reserved by the privately owned institutions look cheaper. In privately owned institutions it is likely that strict economy in the expenses will be made with a view to increase the profits, while in a Government Department the element of profit being absent, it is more likely that the cost of an impersonal Department would be disproportionately heavy.

But whether Government Department is rendering the service or privately owned institutions are offering this service, the State will have to be vitally interested in a close regulation and strict control of the Insurance Service. The success of the service depends on a proper management and investment of the funds collected from such large numbers and in such small driblets.

The Insurance system of the country forming an integral part of the national economy will have to be carefully controlled and closely regulated by the State.

10. We are here called upon to organise a system of insurance for the entire Indian nation as an integral part of the country's planned economy. If that service is to be properly organised and provided on a national basis, it will have to be made universal, comprehensive, and compulsory. Leaving out agricultural and Industrial Insurance, which will be provided for by other sub-committees of the National Planning Committee, and which would need to be coordinated by the Planning Committee itself with the recommendations of this sub-committee in regard to other branches of Insurance, the system of insurance we are here called upon to suggest and organise would concern principally the so-called middle classes, who work on their own in business or professions, or are concerned with the commerce of the country at home or abroad, and cover risks of individuals not commonly undertaken by the public collectively.

SECTION 2. FORMS OF INSURANCE.

11. The forms and occasions of insurances which are thus left over, are commonly conducted by Private institutions, such as Joint Stock Companies and other underwriters.

12. The forms of insurance which are to be covered by this sub-committee may be listed in five main categories according as it affects and concerns:—

I. the individual;
II. his property;
III. a running business or commerce and its accessory services;
IV. miscellaneous activities; and
V. productive activities of Agriculture and Industry taken collectively.

Each of these may, further, be sub-divided into:—

I. Individual—with special reference to

1. his life;
2. accident to health or limb including permanent disability;
3. health in general;
4. education;
5. marriage and maternity;
6. old age;
7. unemployment.

II. Property—with special reference to

1. fire, flood, risks in transit of goods by land, sea or air;
2. earthquake;
3. riot or civil commotion, and disturbances;
4. burglary, theft, or robbery;
5. automobile insurance, including loss by theft, fire, collision in transit, confiscation and liability for compensation of loss etc., suffered by third parties;
6. any "act of God" or the "King's enemies" causing loss or damage to life or property, e.g. War risks.

III. Business—including

1. stability profits;
2. adventitious interruption to business by strikes, or any such occurrence beyond the control of the owner or manager of the business; also unemployment.
3. workmen's compensation;
4. consequential loss and third party damage;
5. credit;
6. fidelity of employees;
7. security of title.

IV. This is a mixed category, including such provision as that against heavy burdens of taxation falling all at once (e.g. Death Duties, Estate Duties, etc.,) or such against loss or damage of special assets for earning an income by individuals, as for example, a dancer's legs, a singer's throat, etc.

V. Risks of productive activities both in industry and agriculture are considered elsewhere. This would, of course, be of the utmost importance, and of widespread incidence in the entire country. They would also overlap or partake of the nature of the several forms of insurance included in the preceding four categories. All of these would have to be co-ordinated with the general organisation recommended by this sub-committee.

13. Of the various forms of Insurance usual in India the most widely developed is that in regard to Life. It affects the professional and commercial classes mainly, and is intended chiefly to serve as provision for one's self and one's family against premature death of the bread-winner.

14. There are various forms of insuring life, by means of whole life, or endowment, or annuity system. It is undertaken nearly by 379 Companies of which 232 are constituted in India and 179 outside. Of the Indian Companies, 178 are Joint Stock, proprietory concerns, and 35 are Mutual. The total sum assured in this department by Indian Life Offices amounted to Rs. 197 crores, yielding an annual revenue of Rs. 12/- crores by way of premia. In addition, there are about twenty-six non-Indian Life Insurance Companies working in India, out of which 12 carry on only Life Insurance work, and the remainder combine the Life Insurance business with other forms of Insurance. They are all proprietory concerns. The total sum assured by these foreign

Life Insurance Companies amounts to Rs. 129 crores yielding an annual revenue of Rs. 520 lacs.*

15. The aggregate number of life policies both with Indian and non-Indian life insurance companies are 14.67 thousands. This means an average life value of nearly Rs. 900.

The adult population in India, i.e., people of over 20 years of age, is according to the census of 1931, 14.45 crores. If we take out of these only adult males as representing the bread-winners, provision of whose life insurance becomes necessary in the interest of the dependents, as well as of the bread-winners; and if we value each such life at the average figure given above, the total sum needed to be assured for life only would aggregate Rs. 15000 crores. At the same time calculating the average premium as above, the total revenue from this source ought to amount to Rs. 763 crores. Even assuming that three fourths of the adult population are probably below the datum line of the minimum earning capacity for making insurance provision at all, the sum to be assured would still aggregate to Rs. 3750 crores, yielding an annual revenue of Rs. 190 crores. This would also allow for the relatively low expectation of life in India even in the higher age groups.

This can only be achieved, it is needless to add, if insurance of this kind is made *universal and compulsory*. So long as any considerable section of the community remains as independent workers earning their living as independent professional workers or traders and merchants not specifically engaged by any given employer, insistence upon life insurance provision on a universal and compulsory basis would not be easily feasible. For every insurance provision demands not only thrift and foresight, but also an earning capacity which would leave a surplus after meeting the immediate needs of the insurer. This only a very small section of such independent workers can afford. On the other hand, if insurance is provided for all employees against all the normal contingencies of life,—including accident, invalidity, sickness, permanent disability, maternity and its consequences, old age and its handicaps, etc,—there would be no need for making a life insurance provision for the dependents of such workers, since every individual citizen would be entitled to, and would be given, work suited to his or her capacity and environment. For this work he would not only be assured a living wage, but also additional provision needed for guarding against all

* These figures relate to 1939-40. For more up-to-date statistics, see the summary of Developments at the end of this volume.—Editor.

the risks or contingencies mentioned above. There would then be no need at all to provide for any dependents or even one's old age.

16. The average income per head in India has been computed variously in recent times, by detailed estimates and compilations of the total volume of production of all material commodities, from about Rs. 50/- to Rs. 75/- per annum. Taking Rs. 60/- as representing, at the present price level, the aggregate average per capita annual income in India, we must remember that the system of distribution at present obtaining in this country is such, that for by far the largest section of the population, aggregating over perhaps three fourths of the total population, the average income would be much nearer Rs. 30 or less per annum than Rs. 60. Nearly one third of the total wealth of the country, it has been calculated, is taken by 1% of the total population; another 33% by the next 33% of the population; and the remaining 66% of the population is left with the remaining 33% of the total volume of wealth produced in the country, which means half the average per head in a large number of cases.

17. If these estimates are at all well founded, the ability of an average Indian citizen to make provision against the normal contingencies of life, by way of reserve or Insurance, is possible barely to about 25% of the total population, and that too on a very low basis.

18. The first task, therefore, of careful planning would be so to increase the aggregate wealth of the country, and at the same time to bring about its more equitable distribution as to improve both the total volume of production of wealth, and, by improving the system of distribution, the average standard of life, by over 100%, if not 200%, of the present level.

Section 3. Methods of Insurance

19. Insurance is effected in a variety of ways in this country as well as in other countries. Perhaps the origin of insurance was some form of Mutual Aid, which even now continues to account for a very large measure of insurance business conducted nowadays.

Insurance as a Public Utility Service, conducted directly by the State or its representative the Provincial or Local Authority, or by subsidised public or private corporations, is a relatively later evolution, which, however, is gaining increasing popularity in all industrialised countries with a larger proportion of the working population. The State or the community is supposed to have an 'insurable interest' in the health, well-being and continued prosperity, of its members; and, therefore, the necessity, as well as the advisability of providing, on an increasingly collectivist basis, Insurance against all insurable contingencies of an individual citizen's life and work in any modern industrial society.

20. Insurance, whether conducted on a basis of mutual aid, or as a Public Utility Service collectively by the State or its representative the Municipal or Local authority, or other organisations subsidised by the State, is usually conducted on the basis of compulsory contributions from the individuals insured. But it is not absolutely necessary to maintain such contributions, except as a measure of help in inculcating a due consciousness of making one's own provision against the ordinary risk to which one is exposed. Superannuation Pensions, as distinguished from Provident Funds, and which are a form of Insurance against old age, are often provided, in appearance at least, on a non-contributory basis.

Section 4. Classes of Life Insurance

21. Life Insurance can mainly be divided into three classes: (a) Single Life Assurances, (b) Joint Life Assurances, and (c) Group Insurances.

(a) Single Life Assurance

22. There are various schemes of life assurances on a single life, but they can be generally divided under three classes:—

1. Whole Life Assurances;
2. Endowment Assurances.
3. Annuities.

Even in the Whole Life Assurance, the life may be assured by the payment of premiums by the Assured through life, or by a limited number of instalments.

Commenting on each of these in detail, let us note:—

(1) Whole Life Assurances by premiums throughout Life.

23. Once upon a time these were the only sort of Life Assurance which were common, though by no means popular, in the Insurance World. It has got its own advantages and disadvantages. The chief advantage is that under this scheme of assurance, the premium is the lowest. On the other hand, the disadvantage is that the premium is to be paid for an unlimited number of years; and the insured may actually be put to loss if he lives for a very old age. Moreover, the Insured himself does not get any benefit out of this insurance, except that he gets the satisfaction that his dependents would be well provided for after his death.

24. It is for that reason that the other scheme of Whole Life Assurance by limited premiums is more popular among certain classes of people. In this case, the Insured knows how much he is going to pay to the Insurance Company by way of premiums; and so knows his own liability. Under such a scheme he can also arrange to pay premium only during the time when he can afford to earn, and pay regularly the premiums as they fall due. This is in marked contrast with the former scheme of Whole Life Insurance, where he has to pay premiums also in his old age when he may not be sufficiently strong to earn such premiums.

(2) Endowment Assurance

25. The most popular form of assurance for a single life is the *Endowment Assurance.* Under this class of contract, the Sum Assured is payable at the expiration of a fixed term of years, or at death if it occurs before the fixed term ends.

The rates quoted for these policies usually are in two ways:—one at a specified age and the other at the end of specified term of years.

In this class of Insurance, the Insured not only secures a certain sum for his dependents if he dies at an early age; but in case he lives beyond the fixed term he gets enough money for the provision of his old age, when his earning capacity may be said to be on the decline.

This class of Insurance is by far the best way of investment for any man who has not got enough money to provide for his old age, or for his dependents, within his limited earnings.

In the Endowment Schemes there are also further classes with decreasing and increasing terms of assurances. In the former the name signifies the amount of premium that goes on decreasing after a fixed term say of five years. Similarly in the increasing term assurance, the premium payable goes on increasing after a certain number of years.

These two schemes provide for such people who think that their earning capacity will go on decreasing or increasing.

There are also schemes where a certain bonus or dividend is guaranteed to the policy holder. These are called usually Guaranteed Bonus Policies. Under this class the policy holder knows exactly how much money he will be having when his policy matures, and not to remain in doubt of the amount of bonus the Insurance Company may have to declare later on.

There is also a scheme which is generally called the Double Endowment Assurance. Under this scheme the Assured gets double the amount of insurance in case he survives a certain number of years. In case of his death before the fixed term he gets only the amount assured. Those people who are sure of their longevity or life will get quite a good sum for the amount of premium they have got to pay.

(b) Joint Life Assurances.

26. Under this scheme of insurance two lives are insured together; and usually the amount of money is paid on maturity, or on death before the fixed terms. Just as in Single Life Assurance, here also there is Whole Life Assurance as well as the Endowment Assurance. In the former case the survivor gets the amount of assurance on the death of the other joint assured, while, in the latter case both of them get the sum assured on maturity or the survivor gets on the prior death of the Joint Assured.

28. Before we go further we should also take note of the Assurances *on the lives of children.* They are mainly divided into two parts, viz., the educational or marriage endowment, and the children's deferred assurances. The former case is a mere Endowment Insurance, and the child gets the sum assured after the expiration of a certain number of years; but in case of the child's prior death, the guardian is repaid the amount of premiums paid, or is given the option of substituting any other child of the family, in the latter case, viz., a minor, but the Insurance Company does not take the risk of paying the whole sum assured in case of the death of the child before a specified age which is generally fixed at 21 or 25. In case of the death of the child before the given age, the premiums are usually repaid, while in case of the child surviving the fixed age he gets the full benefit of the Insurance without any medical examination. Under this class the children with a defective family history get a very great disadvantage, besides having to pay the same instalment of premiums because the term of Insurance is very long.

(3) Annuities.

26. There are different schemes of life annuities, some of which are immediate life annuities; deferred life annuities, and joint life and survival annuities. In the first case on payment of a fixed sum of money, the insured begins getting a fixed sum every year till his death. Under the second case, viz., the deferred annuities, the insured begins getting a certain fixed annual sum after a certain term of years till death. In the third case, viz., the Joint Life Annuities, the Joint Insured or the Survivor gets a fixed sum of money every year either immediately or after a certain number of years. In all cases of annuities, the usual practice is that a lump sum should be paid at the beginning of the contract.

(c) Group Life Assurances

29. This type of Assurance business is not much favoured in this country, but in America especially this is carried on exceedingly. As the name implies, these policies cover a group of lives, and usually the employer who pays the premium for all lives gets an assured payment of a certain sum at the death of each of his employees. Usually no medical examination is taken for a group life assurance.

(d) Industrial Insurance

30. Finally, there is a type of assurance, which although it has not been much favoured in India, can be made popular as early as possible. This is Industrial Assurance. It is unfortunate that the wages paid to an industrial worker in India are not very high; and so it is very difficult to induce them to pay premiums of larger sums which they cannot afford to pay. Hence a special provision for industrial workers should be made popular as soon as possible. If this type of insurance is done by private, proprietory concerns, they would have to cover extra risks on account of the particular type of work that the Industrial worker has to put in. Moreover, as the sum assured is likely to be much lower, the Insurance Companies have to take much bigger risks, for a smaller sum of money than in the case of insurance of ordinary life insurance for middle class professional or commercial workers. However, if the leading insurance companies of India combine to take up this matter, and they are, if necessary, subsidised by the State, it will greatly benefit the poor worker who has usually to leave his dependents starving on his death. This would, however, best be provided for on a public or co-operative basis; and may well be left over to be treated as part of the scheme of Industrial Insurance.

(e) Accident Insurance

31. Lastly there is one class of Insurance which is taken together with Whole Life or Endowment Assurances on single lives, and that is the *Accident Insurance.* Under this scheme the Insurance Company has to pay double the amount of insurance for very small extra premium usually ranging from one-eighth to Rs. 5/-.

SECTION V. SOCIAL INSURANCE

32. The other forms of Insurance comprised in Group I, relating to the individual, may all be collectively described as 'Social Insurance'. Social Insurance includes not only Insurance against accidents arising out of the risks of industrial employment, to health or limb, causing any degree of damage including permanent disability, but also makes a provision for the general health and welfare of the industrial workers, as well as the chances of their being thrown out of employment. Ordinary contingencies of an individual citizen's life, such as provision for the education of one's children, or marriage and its risks of maternity to woman etc. as well as superannuation by old age for both men and women are also included in this Group. Some of these may appear to overlap with items included in Group III, which relate to the conduct of a business or profession; and, as such, may be treated jointly. On the other hand, in so far as any of these forms of Insurance relate to industrial population, they may be covered or included in the scope of Industrial Insurance proper, or in the recommendations of the Labour Sub-Committee of the Planning Commmittee.

33. We need not deal with all this variety of Social Insurance on a very detailed basis, particularly as the statistical information available for this kind of business, as well as the number of people engaged in industrial operations requiring such provision, are comparatively very meagre. This, of course, is the situation at present. If the programme of planned economy takes effect so as to increase the scope of industrial employment to even three times its present volume, with a corresponding increase in the population engaged in business and transport or other accessories of an industrialised society, the importance of Social Insurance of the various forms mentioned above will grow in proportion.

34. At the present time, we have, however, a certain provision under Workmen's Compensation Acts and for Maternity Benefits, which are naturally confined to a very small section of the population. It may also be noted in passing that the introduction of such measures of social safety as Maternity Benefits for working women very often leads to wholly unexpected results in the shape of diminishing the field for industrial employment for married women who may have to undertake risks of maternity. Employers, looking to their own profit, would be more and more averse to engaging

a proportion of their workers who would make an extra demand upon them, and so diminish their profits.

35. The Insurance provided by the Workmen's Compensation Acts usually is a compulsory charge upon the employers, who are supposed to provide conditions of work which would minimise the chances of accident, and which must, therefore, be compensated for, if and when such accidents occur. For a long while, under the English Common Law, the Doctrine of 'Contributory Negligence of Fellow Workers' helped the employers to stave off their liabilities for accidents in their work, which could have been avoided by common prudence or caution. But the public consciousness has grown with the increase in the size of the industrial workers in democratic communities; and, at the present time, by Statutory Enactments the Employer's liability for compensating workmen's accidents in the process of their normal employment is unquestioned.

36. The employers in their own interest, accordingly, take the measures, on the one hand to protect machineries and the process of work in their factories and workshops which minimise accidents; and, on the other hand, arrange with the Insurance Companies to compensate their workers in the event of any accidents happening. As their provision is made on a universal basis, at least for each big Industrial Establishment for itself, the process of insuring with an Insurance Company becomes much more feasible.

37. Accident Insurance, whether in the course of employment or otherwise, on a mutual aid basis is also not known; but on the whole, so far as workmen are concerned, the principle is now generally accepted that the employers' liability should be unquestioned in this behalf. The total number of industrial operatives at all needing such a kind of Insurance as this, numbered in 1937-38 in India*........ The premium received by Indian Insurance Companies in regard to Workmen's Compensation Insurance amounted to

*The original Report leaves the blank in the text unfilled. In the year 1936-37, however, the total number of workers insured against accidents and paid compensation wae as follows:—

Accidents	No. of Cases.	Compensation Paid
		Rs.
Fatal	768	5,46,242
Non-Fatal	28,877	7,42,522
Total	29,645	12,88,764

—Editor.

Rs. 26.69 lakhs, and by non-Indian Companies on the same account Rs. 3.52 lakhs or an aggregate of Rs. 30.21 lakhs. The claim paid under the Workmen's Compensation Acts in India are not separately mentioned in the Year Book, nor is the total number of policies outstanding or workers insured stated.

38. This does not mean that all forms of accidents have been properly insured. There is obviously a vast scope for this service still open; and if this service is to be extended adequately, the figures would have to be very largely increased, so as to insure every worker against the normal risks of his employment.

39. Insurance against accidents by Motor Cars or Railway travelling, or Air and Ocean travelling, may be provided on a basis of Mutual Aid or by private Corporations insuring for profit. The former, however, is not readily feasible, especially in regard to travel owing to the constantly changing personnel of the travelling public.

40. The custom in many Western countries of Newspapers' seeking the widest range of publicity for themselves to provide automatic insurance at a flat rate against any accident for every reader of their paper, appears to be closely similar to gambling; but the risks are minimised by putting it on a business footing by a system under which such newspapers insure themselves against their liability with Insurance Companies which carry on this kind of insurance business. In an individualist community this form of insurance may be allowed to continue in such exceptional cases; but, if Insurance is converted into a well established Public Utility Service, the public carriers or agencies supplying means of Transport by Railway, Airway, Roadway or Waterway must be made to shoulder the responsibility of compensating all those who suffer by accidents in the course of their carrying on the business.

41. In regard to accidents by automobiles particularly, where a disproportionately large number of private owners and users of such vehicles is the order of the day in individualist countries, the legislation of most countries has introduced a compulsory clause for insuring against third party risks. This makes the dangers of modern transportation much less formidable to the public at large than would be the case in the absence of such provision.

42. The protective measures in the shape of Safety First Appliances, Road Traffic Regulations, including all kinds of signals for the control, and safety of the vehicles etc.,—the laying out of the public roads and highways so as to minimise

accidents, are essentially speaking, developments partaking of the nature of protection against insurance risks which tend to diminish the incidence of accidents, and, therefore, the cost of insuring against.

43. The administration of the benefits of accident insurance may take the shape of treatment in Hospitals,—including costs of surgical operations, if any be necessary, as well as for recuperation in some Sanatoria or health resort, and the losses of wages during the period of disability or convalescence under certain specified conditions, such as that the workers must have worked in a given firm or for a prescribed period, that the accident must be treated in and by specified hospital Institutions and Medical attendants, who may be all engaged on large scale business by those interested in minimising cost of insurance. These payments in kind may be in addition to cash compensation seeking to indemnify the party suffering from the accident against consequential loss or damage. While this kind of Insurance business is not unknown in the hands of profit seeking corporations, the best guarantee and the most economical working of such schemes would be, if the entire system of accident insurance is undertaken by the State or its Representative, the Municipal or any other Local Authority. Apart from great organisationis of employers like the Railway Companies or Mill Owners' Associations, which may by their constitution be entitled to undertake such business, and which may be trusted to operate this business fairly efficiently and economically, a comprehensive scheme of Insurance against accidents and disability can only be provided by the State under some form of compulsory organisation. It may be provided on a contributory or non-contributory basis; but in any case, it must be made universal to given classes of operatives or individuals so as to make the field of operation the widest possible and its cost the lowest possible.*

* Since the Sub-Committee submitted its Report, an Industrial Employees Act has been passed (1948), making insurance against most of the contingencies listed in this section compulsory, and worked as a State enterprise.—Editor

SECTION VI: HEALTH AND UNEMPLOYMENT INSURANCE

44. Health Insurance, in general, is a part of the measures for social security, which, though commonly undertaken by the State in one form or another in all advanced industrialised countries, is yet almost unknown in this country. The basis of this Insurance consists in providing medical advice, attendance and treatment for any insured individual suffering from the ordinary ailments of life, together with the costs of any surgical operation or hospital treatment which may become necessary.

45. The system of National Health Insurance is usually provided on a compulsory basis, beginning with a given class, e.g., workers, under a given wage level. It may progressively be extended to include all citizens.

46. Usually ordinary simple ailments are attended to by general practitioners registered under the scheme for National Health Insurance. They are paid a specified sum for each individual patient treated, by the Insurer. This payment is calculated on a moderate scale; while special charges, also on a moderate scale, are paid for operations and other such treatment in hospitals.

47. Nursing homes, sanatoria and health resorts are also provided by public or semi-public institutions, where the insured patients under such a scheme may be treated and the cost paid out of the general fund.

48. The Fund is usually made up of contributions from the insured, their employers, and/or by the State or the Municipality as the case may be. The services of Doctors, Nurses, Hospitals, and Nursing Homes or Sanatoria are provided out of the general fund, as also preventive or precautionary measures, e.g., supply of prophylactics.

49. The period for which such benefits may be given is defined in regard to the maximum and may vary with the nature of ailment involved. In cases where the insured are suffering from any permanent disability, they would be provided for out of another branch of Social Insurance which ensures such protection to those specifically insured under it.

50. Needless to add there is in every system of National Health Insurance, considerable activity in regard to preventive and precautionary measures, which have minimised considerably the incidence of disease and disabilities resulting therefrom. Nevertheless, every such system must

involve, at least in the early years, a tax on the community to put it into operation.

51. In this country, it is impossible to undertake, under the present state of available statistical information regarding the incidence of the various diseases, the magnitude of the risks involved, and the scale of work to be undertaken, an adequate provision to be made in this regard on a compulsory universal basis. Unless the data regarding the incidence of disease, and the cost of treatment are provided on a much more extensive scale than is the case to-day, any system of National Health Insurance in this country would be doomed to failure. Unless Medical and Health Services are organised on a national scale throughout the country; preventive and precautionary measures taken or made available to the widest possible extent; general sanitary, hygienic knowledge of the people improved in proportion; and the fullest possible data prepared regarding the occurrence and incidence of any epidemic or other diseases; it would be premature to suggest the undertaking of any scheme of National Health Insurance on a national scale.

52. This, of course, does not mean that a beginning may not be made with regard to those workers who are already engaged in industry more or less permanently and may admit of fairly large scale treatment. Railway and Post Office workers and the operatives in Iron and Steel Works, Textile Mills or Sugar Factories aggregate to fairly large numbers to justify in their case the commencement of such a Health Insurance Scheme. Conditions of their life and work are fairly satisfactorily known; their habits and standards of life as well as the conditions of health, and environments are fairly similar. A reasonable scheme of health insurance for such workers may be easily evolved, on a mutual basis, or on the basis of a State subsidisation, where there are operatives in any given industry in sufficient number to permit of such a scheme being undertaken. We would suggest that this task be entrusted to such Municipal or Local bodies as the Municipal Corporations of Madras, Bombay, Calcutta, Cawnpore, Sholapur, Ahmedabad; the Railway authorities, the Post Office, and even a private enterprise like the Tata Iron & Steel Co., should be required, as representing the State, to inaugurate a scheme of Health Insurance for the Industrial Operatives in their midst, with the aid of State subsidy from the Provincial or Central Government as may be thought proper in each instance. For every operative drawing Rs. 200—or less per month, and engaged in the same or similar employment for 3 years continuously before the commencement of the scheme,

health service may be provided in a given scale and for a given period, in consideration of a prescribed contribution from the Insured. The medical practitioners, nurses, etc., within each such jurisdiction may be registered for treatment and subsidised for the service rendered. And the experience thus obtained be universalised progressively so as to cover the entire field of industrial commercial and transport workers coming within given categories of earnings which are deemed insufficient for each individual to make a necessary provision out of his own resources for this inevitable risk of ordinary life.

EDUCATION, MARRIAGE AND MATERNITY

53. The next two items of Insurance effecting the individual, namely, Education of children, and Marriage and its risks, like Maternity, may also be similarly disposed of. Provision for higher education involves considerable expenditure for the classes which avail themselves of it. It is capable of being insured for. The usual method is by way of insuring the life of the children concerned, or that of the parent providing the cost. We have already described in outline above some of these forms and need not dwell upon them at length. Statistics do not indicate the extent or possibilities open for this form of insurance; but the following may serve the turn. In any case, for years to come, higher education would remain the privilege of a very small number, proportionately speaking. Those going in for higher education,—that is to say, beyond the secondary education stage,—hardly number more than 1½% of the population as the following statistics will show:

Total Adult Population	College going Students	Higher Education	Middle School	Primary School
17,60,00,000	1,11,842	3,27,217	9,22,587	1,05,80,697

Of these, perhaps, the parents or relatives of hardly more than half would be able to make a regular provision to meet such expenditure. as and when it is necessary, out of their own resources. We may hope indeed, that, as a result of careful national planning, the average ability of the people would be considerably increased; and the vogue for higher education would be proportionately enlarged. The demands of planned economy may itself necessitate the education into highly skilled professional and technical workers of much larger numbers than suffice for our present needs; and unless

the State takes over the entire charge of such education and all its cost, some kind of insurance provision would be needed for this department of our national life. For years to come, however, it is not likely that this form of insurance would have its appeal to a large number of our people; and as such, we cannot include this as an integral part of any scheme of national insurance founded on a compulsory basis.

54. Marriage, on the other hand, stands on a different footing in India, and its risk of maternity is very much more widely spread. The incidence of marriage and maternity creates social problems which would have their own reaction upon our planned economy. Provision of Maternity benefits under the various Workmen's Compensation Acts, and otherwise in the general scheme of Health Insurance, may be referred to once again as indicating the basis on which such provision may be made. Marriage is a most common phenomenon in all communities in India and Infantile Mortality is existing on a high scale.

MORTALITY.

	Males	Per thousand	Females	Per thousand
Under 1 year	8,31,814	176.90	6,95,618	159.90
Under 5 years	5,21,672	32.90	4,88,752	30.30
Under 10 years	1,57,488	8.67	1,42,560	8.60

The loss involved to the sum total of national energy by this infantile mortality, as well as mortality among mothers is sufficiently serious for the nation as a whole to provide a measure of protection against its occurrence. We would include this in the general scheme of the National Health Insurance, and provide a treatment which would not only insure for the protection of expectant mothers, but also help them to avoid unnecessary risks of child birth or too frequent experience of that kind.

55. Other risks of marriage, e.g., liability to its being dissolved, and the charges of alimony etc., are not easy to insure against. In a planned society they may be very much minimised; and perhaps obviated altogether.

56. Here, as in other forms of the problem of National Insurance, in this country, the lack of data is the most serious difficulty. Though statistics of marriage may not be so rare as those in regard to births and deaths, the reliability of all these statistics may be open to serious question. The scientific treatment of child-birth and all its incidental risks

also remain a desideratum on the national scale; and before any satisfactory system of Insurance can be devised and put into operation in this regard, so as to embrace all expectant mothers in the country, there would have to be provided a much more satisfactory and extensive range of data on the subject than is the case to-day.

OLD AGE INSURANCE

57. We have already spoken of provision for Old Age in an earlier section, and need not repeat ourselves, at greater length, in this connection. Suffice it to say, that Old Age should be regarded as a reasonable claim upon the community for maintenance, in consideration of the fact that, presumably, the aged have made their individual contribution towards the general prosperity of the community in the years when they were in the enjoyment of their normal health and strength. Old Age Pensions have, accordingly, been provided in many countries on a contributory basis; and in others on the basis of a national endowment free from any contribution made directly for that purpose by each worker in the years of his work. In India, all pensionable public service is free from any obligation for contribution by workers. In most pension schemes for organised services, the pension is an allowance, not necessarily dependent upon the contributions made; and much more seldom as a provision directly from the contributions and equal only to its yield. Its provision is more correctly regarded as being a deferred payment of wages, which the employer who had been benefited by the work is morally bound to guarantee to the employee who has put in a given length of service in his life time. On the other hand, income derived from a Provident Fund partakes of the nature of a contributory insurance, the contribution having been made both by the worker and the employer. Legislation in India has already made the adoption of a Provident Fund more or less obligatory on all large scale employers of permanent labour.

58. This is an analogy of an individual employer and employee, and may well be applied to the community as a whole, regarding every worker as a contributor to the wealth of the community collectively, and, therefore, entitled from the community collectively to maintenance in those years when his faculties of mind and body are not equal to the strain of actual work. In a planned society embracing all forms of work, the provision of such Old Age Pensions would be much more simple to make.

59. The expectation of life in India is exceedingly small, and, therefore, the scope for Old Age Pensions, even if the

retiring age may be fixed at a lower limit than in Western countries, will be exceedingly small. We would suggest that a beginning should be made with reference to those cases of employment where large numbers are already employed as in the Railways, Post Office, Steam Ship concerns, Tramways and Bus services, or such industrial establishments as the Iron and Steel Works, Jute and Cotton Mills, Coal Mines, Tea Gardens, Sugar Factories, etc.

60. It ould, of course, have to be a condition precedent to any scheme of Old Age Pensions that, in order to qualify for the pension, the candidate must have served a given number of years as active worker, preferably in the same establishment, or in other establishments in the same Province or the same category, where conditions of life are more or less similar.

61. If all such workers are combined into some kind of a mutual aid association during their old age, it is not impossible to work out a scheme for their maintenance during their old age, or on a basis where comparatively small contribution from the public funds may suffice to maintain the scheme.

UNEMPLOYMENT INSURANCE

62. Unemployment Insurance has proved a hard bone of contention in countries where it has been in operation in recent years. At worst it has degenerated into giving out doles; and at best it has become an indispensable provision to tide over any period in which industrial activity becomes dislocated for economic, political, or technological reasons and unemployment increases for no fault of the workers.

63. Unemployment, it has been found, is seasonal, as well as technological; and very often due to political complications over which workers and their employers have no control. In all such cases, the field for unemployment would, of course, be limited; though, of course, actual numbers which may have at any time to be treated may be very considerable. In a total population of about 40 million souls, the unemployed in Great Britain have been known to number 2½ millions while those in the U.S.A. in the same category have been known to aggregate to 12 to 13 millions in a population of 130 millions. If this is the case with regard to the most industrialised countries, with the widest available range of employment, what shall we say of a country like India, relatively backward in regard to industrial development, with very limited employment, and such employment as is available, scarcely sufficient to yield a return adequate for the keeping of one's soul and body together. Unemployment in India is

not merely lack of work; but also of sufficiently well paid work—a chronic condition with over three-fourths of our people.

64. Any attempt at organising a systematic Unemployment Insurance in India would pre-suppose a completely co-ordinated scheme of national development, simultaneously in industry, agriculture, commerce, transport, and other accessories of business, so that all avenues or vocations causing unemployment on account of political, economic, or technological reasons, or due to seasonal variations, may be capable of adjustment as from a central authority, and so as to avoid dislocation. Planning, again on a national scale, of all our activities would by itself suffice to remedy unemployment in both the senses given above; for it must be the essence of planned economy to co-ordinate all available work, to bring about its steady expansion, and to distribute it carefully on the widest possible basis.

65. At this stage, therefore, we would only recommend the organisation of Unemployment Insurance in India, by way of a beginning, in those industries where the workers already are sufficiently large in number, working in fairly similar conditions, and, therefore admitting of a uniform treatment. The conditions of employment in these instances being fairly attractive, the room for unemployment is relatively small. However, those who may have worked in such cases for a given number of years, say 5 to begin with, may be assured unemployment benefits, equivalent to a maximum of 6 months average pay, and perhaps another period of 3 months of half average pay, with an intensive, systematic effort to find employment during this period wherever possible. Railways, Post Offices, Mills, and Factories and Workshops may attempt a commencement, so far as their own workers are concerned, so as to admit of a beginning being made in this direction. And if to this are added large municipalities, semi public bodies, and Joint Stock Companies, carrying on their work on a large scale with a more or less permanent staff of operatives, the arrangement.*

66. It must be added, however, that requiring such establishments to provide unemployment insurance for their operatives may appear to be contradictory in terms. If unemployment occurs as the result of the winding up of their

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* The original Report left the line unfinished. At this distance of time it is difficult to recapture the trend of thought sufficiently to fill it in. Perhaps the sentence would be completed somewhat as follows:—"The arrangement would embrace some 2 million workers for whom unemployment Insurance can be effected quite economically."—Editor.

business, then, obviously, it would be improper to ask them to make any provision by way of Unemployment Insurance. On the other hand, if unemployment occurs, in regard to individuals, for one reason or another; if they are thrown out of employment because of their own ineffeciency, negligence or for technological reasons, then, too, it may seem improper to saddle these concerns with any responsibility for providing unemployment benefit, for their dismissed employees.

67. Under these conditions, perhaps, it would be best to make a beginning in regard to such cases of unemployment of those regularly employed, say for a given number of years, five to begin with, in any of the categories mentioned above, by the State as a whole, or its representative, which may, for this purpose, levy a small contribution in respect of each person employed from the establishment, and make its own contribution to create a fund for unemployment benefits so as to minimise the dangers and hardships of unemployment.*

* This is the touchstone of the success of a National Plan such as is contemplated in this Series,—the solution of the problem of unemployment. The ideal of a planned society is: no more hands than there is work for; and no more work than there are hands to do so. There must be no pauper, nor parasite; none idle, nor unwanted; none should starve who would work.—Editor.

SECTION VII: PROPERTY INSURANCE

68. In the second group of Insurance mentioned above, which relates to property, the most considerable forms are those in regard to Risks by Fire, Flood, or Transit of goods by land, sea or air. The magnitude of these risks under modern conditions may best be illustrated by the fact that in the United States alone Insurance against Fire concerns property worth as much as $100,000,000,000 and is steadily growing; and the annual income from it amounts to $100,000,000. That is of course, a wealthy country which may not offer a good analogy for our purpose; but still it would serve to indicate the vastness of the field India would have to cover if she has a properly planned national economy in which every insurable risk is insured against; and so a reasonably safe and stable condition of work and living guaranteed.

69. Fire affects all kinds of property, and may bring about damage of a varied nature. The basic principle of insurance against fire, as indeed of all insurance, is to guard against risk, and assure an equivalent indemnity being obtained in the event of the loss occurring, but not to replace the identical article lost, or in order to obtain any profit out of the damage done by fire. There are, indeed, cases, like those of works of art, which, if damaged by fire, cannot be properly valued in terms of money, and for which, therefore, it is customary to bring about what are known as 'Valued Policies'. These give an *ad hoc* valuation as represented by the actual loss suffered, in order to avoid any disquisition or litigation as to the value of things which could not really be valued, and could not be replaced.

70. The methods of Fire Insurance in different countries have taken different forms, and proceeded on different principles. In European countries, fire insurance by Municipal or State authorities is quite common; while in the United States, Insurance against fire is largely done by Joint Stock Corporations. As much as 75% of Fire Insurance in United States is being done by American Joint Stock Insurance Companies; while only about 10% do it on a Mutual Basis; another 10% by Municipal or public funds and the rest by Foreign Companies.

Fire Insurance of Buildings is made compulsory, as in Berlin and Hamburg; while building bye-laws of every municipality provide precautionary measures against the occurrence of fire which can be taken to minimise the risks of

fire. This may be proved from the fact that the ratio of losses paid to the premium received has steadily fallen in the last ten years from 53.6 per cent to 46.5 per cent in the United States; and also in European countries; and the rate of fire insurance has declined from 1.0118% to 0.7691%.

71. Whether insurance against fire is carried on by public funds or by private corporations, increasing attention is now being paid to the prevention of the risks of fire. Every kind of publicity is given to the methods of preventing fire, and to the methods of minimising the damage when one does occur. Buildings are constructed more and more by fire retarding materials, and equipped with fire extinguishers in the shape of electrical sprinklers, so as to put down fire should it occur.

In America, a well equipped laboratory of underwriters has been set up, invested with all the new devices of extinguishing fires. This is placed under a National Board of Underwriters, so as to universalise the methods or equipment tested by the Laboratory and found satisfactory. Every effort is also made to discover and punish those guilty of deliberate incendiarism, and the amount spent thereon is regarded well worth for securing and maintaining fire insurance business.

72. In India, the total amount of fire insurance, however, is still exceedingly small, as the following statistics show.

1937	Indian Coys.	Losses	Non-Indian Coys.	Losses
Fire	46,96,000	47,12,000	97,86,000	91,46,000
Marine	15,54,000	or	46,53,000	or
Accident	33,31,000	50.22%	57,42,000	45.32%

The scope open to extension of this business of insurance against fire may be indicated by such a consideration as the following:—

In a single city of Bombay, the total rateable value of house property alone is estimated at something like 12 crores. This would mean that the properties are themselves valued at over 250 crores. In addition, goods in Bombay, which is one of the principal ports of entry and exit in the country for all international commerce, may be said to aggregate at any given moment not less than 20 crores, if not more. Production within the city itself of such articles as textile goods, liable to fire risks in a high degree, and awaiting shipment or for despatch to upcountry, may be likewise placed at another 15 crores.

Other forms of property, besides buildings and goods for sale, such as vehicles, furniture, clothes, etc. are difficult to value. Some of these, like Motor Vehicles, are already covered by some system of Compulsory Insurance, in which insurance against risks of fire may be said to be included. But taking this single instance alone, it would mean that the value of insurable material against fire, if it were made on a compulsory basis, may reach over 300 crores in Bombay alone at the most modest calculation.

73. The total annual wealth production in the country is variously estimated; but even at the present price level it cannot be less than about 1,500 crores. And the risks of transit as well as of fire during storage, to these various forms of material wealth produced in the country, both agricultural and industrial, are very considerable. A system of all round insurance on reasonable terms for this vast amount of uncovered wealth cannot but be regarded as a great desideratum. It could be effected, on compulsory public or mutual basis, at very reasonable rates, which would make no substantial deduction; but may afford that element of security and stability which are indispensible for a proper organisation of production in the country.

74. If fire insurance is made, as we would recommend, a universal, compulsory provision, it would, of course, be conducted on a far more economical scale than is the case under the conditions now prevailing, as the figures given above show. As business increases, whether on competitive or non competitive scale, the risks are necessarily minimised; the rate of insurance or premium automatically falls; and the cost of administration also dwindles in proportion. As the individual possessing these forms of wealth has hardly any capacity to provide a reserve for insurance against fire, and even when it is provided it is a very small proportion to the wealth mentioned above; some device of Public Insurance against this common contingency would not be out of place. Even if, in commencement, it is confined to only dwelling houses in towns, goods in storage, or in transit, for sale, and other forms of fixed valued property, this section of insurance offers very considerable scope for extension of business, and deserves to be included as an integral part of the National Insurance System planned as an integral part of the National Economy.

75. Risks against Flood, Earthquake, Riots and Civil Commotion are indeed, not unknown in India; but they are too uncertain to admit of a systematic provision of insurance on an economical basis. We would not suggest that these

are incapable of being met in a well planned system of National Insurance. In Japan, earthquake is a common feature; while in this country, floods occur so frequently in one or another part of the country, as well as riots and civil commotion, that we feel, that in a well planned national economy, these items should also be included.

76. It is, however, difficult to provide any basis to indicate the extent to which this form of business already exists. Such provision as is made even now is included in the miscellaneous category, and, therefore, difficult to disentangle and represent separately.

Pending, moreover, the evolution of a completely co-ordinated plan embracing the entire Insurance work in National Planning, in all its departments and branches of national life, certain sections of business or property will inevitably remain outside the scheme of national regulation. It would, therefore, have to be insured by the individuals concerned. We, therefore, consider it proper that Insurance should be provided against fire, on a progressive compulsory basis, so as to incorporate this provision in a comprehensive plan of National Insurance, as and when the same comes to be perfected.

77. Risks of burglary, theft, or robbery need not detain us very long. These are inevitable incidents of a social system founded on private property, and must be provided for by those concerned. Here, as in all other departments, the great lack is that of a co-ordinated system of statistical data, without which provision of this kind is impossible to maintain. Introduction of such devices as Safe Deposit Vaults and burglar proof safes etc. is possible only to the larger owners of properties; and may be regarded as an indirect method of insurance, which these individuals should be able to command for themselves.

78. We have already disposed of insurance of automobiles in the various forms to which automobiles owning and working is exposed, and, therefore, need not devote further space to them. Under recent Legislation, it has been made compulsory to insure automobile against third party risks; and, therefore, one of the greatest handicaps towards the popularisation of automobiles or to the social service of the automobiles is removed.

79. The last category of Insurance business included in this group relates to acts of God, King's enemies, causing loss or damage to property, such as war risks. This last, so far as it relates to land risks, is covered by international agreement

among insurance companies, which consider these as wag third contracts, and so not to be included in the business. The tish Government are evolving their own system of War Risk on land, which covers the contingency even though private companies shirk it. War risks on sea have similarly been insured by the State, in Britain, or with the aid of the State, the State reinsuring 100% from and to United Kingdom ports so far as British Companies are concerned.

Marine Insurance in its ordinary form has hitherto been an individual business, conducted by the so-called Lloyds Agency, which admits of easy incorporation in a national system when and if it is evolved in this country. Considerable amount of marine insurance is being done in certain parts of this country, and the scope available for this type of business in the ordinary commerce of the country is indicated by the following figures:—

Total Import	Rs.	1,38,00,89,000
„ Exports	„	2,06,59,49,000
Total Sea borne Trade	Rs.	3,44,60,38,000
Total Coasting Trade	„	1,53,46,93,000
	Rs.	4,98,07,31,000

SECTION VIII: BUSINESS INSURANCE

80. In the third group is contained insurance in regard to running business, including the stability of the average profits of paying running business. For lack of a more expressive term, we have described as 'Running business' those activities which are incidental to the disposal of produce whether from industry or agriculture. It, therefore, includes commerce, both internal and international, retail and wholesale, and the accessories of commerce, such as banking, transport service, and the like. The risks of each of these branches are fairly well-known, in proportion as each of these branches has developed, and provision can be made against these risks on a reasonably satisfactory basis.

81. This form of insurance, of course, only remains so long as society is organised on an individualist basis, where the services of the middleman and the activities of a commercial kind absorb a considerable proportion of national energy. The mere act of exchange and all the accessories thereto result in a profit, which is incommensurately larger than that derived from the process of production proper, whether in agriculture or industry. Consequently the risks involved are also proportionately greater, arising out of the insecurity of business conditions, or infidelity of the operatives concerned.

82. The items specifically included in that group are enumerated as follows:—

(1) the risks of business affecting the stability of profits including provision against bad debts;
(2) Fortuitous interruption of business due to strikes or any such occurrence beyond the control of the owner or manager of the business;
(3) Error of judgment of professional advisers;
(4) Consequential lass and third party liability.

Of these No. 2 is largely connected with the organisation of insurance; for the risks of productive processes need not concern us here at any great length. Similarly also Workmen's Compensation and consequential loss or third party damage, which are connected with the same department of national economy; though in part we have already outlined the provision of insurance by way of Workmen's Compensation for industrial accidents, etc.; and in regard to automobile

insurance, particularly, so far as consequential loss and third party damage are concerned.

The assurance of credit and the insurance about the fidelity of employees, and the security of title are the remaining forms of business insurance, which in countries where these institutions have been pretty well developed and their incidence insisted upon, provide for on a reasonably accurate basis.

83. In India, the scope for all these variety of insurance work is naturally limited, not because the business activities are unknown or circumscribed; but because the scale of operations is, as a rule, exceedingly very small; and perhaps the margin of profit not large enough to permit a reserve being provided by way of insurance; or deductions being made so as to provide the premia needed for such insurance with a corporation carrying on this kind of business.

It may also be added that the various institutions comprised in the term 'banking' or the 'transport services' are not yet so widely developed, and experience of running them not so common, as would provide accurate data for founding a satisfactory insurance scheme. It is impossible to estimate with reasonable accuracy the volume of internal trade in terms of money, and the risks or losses resulting therefrom for any reason. But, if the aggregate value of material wealth produced in the country is estimated at Rs. 1,500 crores at present prices; and it is taken to change hands four times before being finally consumed, the value of internal trade may well be put down at 6,000 crores. This is not a small amount to be protected by a well devised system of national insurance.

84. In a properly planned National Economy, the scope of the middleman's activity would tend to diminish progressively, and consequently many of the risks contained in this category would be increasingly reduced or eliminated. Commerce, as such, will, of course, not disappear but even commerce will have to be co-ordinated both in so far as the internal trade, retail and wholesale trade, of the country is concerned, and in so far as foreign trade with other countries goes; with a view to minimise the number of transactions for effecting the disposal of produce from the producer to the final consumer, as also of the middleman concerned in the process of making this transfer. It is a matter of organisation in a system of Planned Economy with which we are not primarily concerned; but if that organisation is established, as it seems indispensable, in a scientifically planned economy, the scope for insurance would be proportionately reduced.

RESOLUTIONS OF THE NATIONAL PLANNING COMMITTEE

ON THE REPORT OF THE SUB-COMMITTEE ON INSURANCE

The Interim Report of the Sub-Committee on Insurance was presented by Sir Chunilal V. Mehta, Chairman of the Sub-Committee, on the 7th May, 1940. Mr. K. S. Ramchandra Iyer, Secretary, Mr. B. K. Shah and Mr. J. C. Setalvad, Members of the Sub-Committee, were also present. Discussion continued on the 8th and 11th May. The following resolutions were tentatively adopted:—

1. In order to organise the National Insurance system on a sound, all-round, nation-wide basis, embracing every contingency having to be insured against, it would be necessary for the State to establish a Central, co-ordinating, national insurance board, which may be an autonomous board appointed by the Government and including representatives of the interests concerned.

Such a Board would not only provide for the management of such of the insurance business as is carried on by the State or any of its representatives directly, but also for the supervision, control, and regulation of those portions of the insurance business which are under private enterprise, and also for those to which the State becomes a contributory.

This Board will also collect the necessary data and statistics, as also to supervise the technical education of insurance workers.

2. Any scheme of National Insurance must provide for the entire insurance service being organised by indigenous enterprise.

3. Where direct or indirect advantages are enjoyed by non-Indian insurance enterprise as against corresponding Indian enterprise, they must be effectively dealt with.

4. Non-Indian business operating in India should, likewise, be required to reinsure their Indian as well as non-Indian business with the National Insurance Authority in India, on a basis of reciprocity.

5. With a view to make insurance co-extensive with all insurable contingencies as integral part of the Plan, the State should, by legislation or executive action, as the case may be,

adopt every device to facilitate such extension and expansion.

6. In order to facilitate extension and expansion of the Mutual Co-operative System, wherever considerable numbers of people, workers or otherwise, are to be found under more or less homogeneous conditions, every facility should be provided to encourage them to organise as Mutual or Co-operative Societies for Insurance against their common contingencies of life.

7. Regarding para 11 of the Report, we agree that social security should be assured to all classes of workers, but the particular method of assuring it should be decided in co-ordination with the recommendations already made in connection with the Report of the Labour Sub-Committee.

8. Insurance being a necessary service to the public, it is desirable that it should be made available at the cheapest cost possible. In order to bring this about, the cost of acquisition and renewal should be maintained at a reasonably low level, and the multiplicity of middlemen should be avoided.

9. (i) It was desirable to extend the benefits of life insurance to the largest number of people, and to do this as cheaply and efficiently as possible.

(ii) This should not be the monopoly of private enterprise, but private enterprise may continue.

(iii) The State should extend its life insurance scheme, at present confined to government officials, to the public generally, so that its benefits may extend to the mass of the people.

(iv) Thus for amounts within the upper limit fixed by the State for its own life insurance scheme, the State and private enterprise will function jointly; larger amounts will be dealt with at this stage by private enterprise only.

(v) Co-operative and mutual forms of life and other kinds of insurance, friendly societies and the like, should be encouraged by the State.

(vi) Other forms of insurance, besides life, may continue to be conducted by private enterprise.

(vii) The State should protect and encourage Indian private enterprise as against foreign enterprise in India.

(viii) The question of extending still further the activities of the State in the field of insurance will depend on future results and the experience gained.

APPENDIX I.

Questionnaire issued by the Insurance Sub-Committee:

1. What are the different forms of Insurance commonly taken out by people in your part of the country excluding agricultural and industrial?

2. How far is the habit or custom or system of taking out insurance to provide:

(a) Life Insurance and annuity contracts covering for insurance in the event of premature death, endowments for retirement, endowments to secure costs of marriage or higher education of children.

(b) Fire Insurance.

(c) Marine Insurance.

(d) Burglary, Robbery and Theft Insurance.

(e) Other Property Insurance, such as—
Earthquake, Business Interruption, Riot and Civil Commotion, Plate Glass, Title Insurance and Credit Insurance.

(f) Disability (Accident and Health) Insurance.

(g) Consequential loss or third party damages.

(h) Workmen's Compensation Insurance.

(i) Fidelity and Surety Bonds.

(j) Automobile Insurance,

common in your part of the country? Please supply figures distinguishing various forms, classes and tables of insurance.

To what extent do you think there is room for introducing new forms of insurance business?

3. What is the extent of possible increase of the various forms of insurance mentioned above within a period of 10 years envisaged by the National Planning Committee?

4. Is there any central organisation to collect regular the statistical data which may be useful for the purpose of rate making and other statistical information in connection with the forms of insurance mentioned above? If no such organisation exists, what is the basis on which the rates are now calculated? Do you consider it necessary to have such a central organisation?

5. Have any data of Indian experience been collected in this behalf, and, if not, what are the difficulties in collecting such data?

6. What are the commissions and other remuneration paid to middlemen for the procuration of various classes of insurance business in your part of the country? How far do you think the institution of middlemen of insurance business helps or hinders the growth of insurance habit?

7. Do you consider that the interests of Indian Insurance would be served if the Insurance Law laid down the maximum limits of acquisition cost by restricting the rate of commission that may be paid to all classes of agents?

8. What are the average costs to Insurance Companies operating in this country for the procuration and the management of each class of business? Do you consider the basis of cost to be higher in this country than in other countries? If so, how far does the increased cost deter the spread of insurance habit?

9. Do you consider that the basis of administration, organisation and financial structure of the insurance business in this country requires any re-adjustment, and if so, in what directions, so as to minimise uneconomic competition and so as to make it possible to offer to the public, insurance at the cheapest possible cost?

10. How far do you consider it advisable to introduce the principle of compulsory insurance in respect of unemployment, sickness and other contingencies? If you accept this principle, what are the ways for giving effect to it?

11. In order to cover the entire ground of insurance, how far do you think it would be feasible to organise the insurance system as a public utility enterprise owned and conducted by the State?

12. Do you know any country where state insurance departments have been successfully operated as monopolistic institutions, or as institutions competing with private enterprise, and if so, what are the essential conditions which contributed to their success?

13. How far has the development of the mutual and co-operative units for the transaction of various classes of insurance business proceeded in this country compared to the development of such units in other countries? To what classes of insurance is the principle of mutuality applied both here and abroad? What methods would you suggest for its more extensive development?

14. What is the position of the non-Indian insurers operating in this country from the point of view of their share in each class of business transacted and their methods of competition against Indian enterprise? Do they have any direct or indirect advantages? Can you suggest ways and means to enable the Indian enterprise to control the insurance business in this country? Would you suggest any appropriate action by Government in this behalf?

15. Do you consider that banks can help to promote Indian Insurance business, and, if so, how?

16. Taking into consideration the fact that the distribution of risks geographically and by class constitutes the most important factor in the under-writing of insurance business to secure the application of the law of averages, do you think it necessary and desirable to reinsure with non-Indian offices on the basis of reciprocity? Do you think it advisable to require non-Indian insurers to place a prescribed percentage of their business to be reinsured in this country?

17. Have you any suggestions to make regarding the investment of insurance funds?

18. Do you consider that the Provident Funds as created by Government, other Statutory bodies, Joint Stock Companies and other business houses for their employees constitute a sound arrangement to secure them benefit on retirement? Do you consider that a Pension Fund, or a Life Insurance System under which the employees will be entitled to a death benefit while in service and to a pension on retirement, is desirable? If you consider that this should be in addition to a Provident Fund, what modifications do you suggest in the Provident Fund benefit?

19. How far is the existing legislation in regard to insurance necessary to be amended in your opinion for making insurance an integral part of India's Planned Economy?

20. How would you organise those engaged in insurance in regard to their training, conduct and discipline while they are engaged in that business so as to assure an efficient service to the insuring public and at the same time adequate economy to the nation collectively in the undertaking and management of that business?

21. What is the nature and extent of the Postal Insurance business in India?

APPENDIX II

Note prepared by Messrs. P. C. Ray and K. M. Naik, Members, Insurance Sub-Committee on the Draft Questionnaire.

Q. 1. The common and popular forms of insurance prevailing in this part of the country are Life Insurance in all its forms, Fire Insurance, Marine Insurance, Accident Insurance, including Automobile Insurance and Workmen's Compensation Insurance.

Annuity even though offered by some Indian companies is not very popular with the Indian public.

Burglary, Robbery and Theft Insurance are confined only to a very small class.

Earthquake, Business Interruption, Riot and Civil Commotion are very commonly written particularly in times of troubles. The habit of the people is generally to give up Riot and Civil Commotion and Earthquake Insurance after the panic subsides.

There is practically no business in Plate-glass, Title Insurance and Credit Insurance.

Disability Insurance. A few years ago it was the practice with certain companies to offer special benefits for disability; but since this class of business was under-written without having any statistics or experience, companies have been gradually discontinuing giving benefits under these schemes.

Accident and Health Insurance are almost non-existent.

It is a common practice to cover Third Party risks with Motor Car Insurance policies but consequential losses are rarely covered.

Fidelity and Surety Bonds. This is confined practically to liquidators, receivers and people holding such appointments through High Courts. Surety Bonds are being taken out by employees where security is required by the employers and where no cash security is forthcoming. So far as we are aware no statistics are available except through the Insurance Year Book published by the Government of India. Local Fire, Marine and Accident Associations do collect some statistics useful for the conduct of their own business; but the information is confined only to their members.

Q. 2. While it may be useful to introduce new forms of insurance which are prevalent in the West, but which for

obvious reasons have not been undertaken by Indian Insurers so far, we do not think it feasible to introduce any new forms of insurance for some time to come. We are, however, of opinion that there is enough room for expansion of the existing forms of insurance business by creating insurance habit amongst the public, and by making it possible for the public to get insurance benefit by improving their standard of living. As an instance we might add that property insurance is mostly confined to merchandise and in case of buildings only to those owned by companies or where they are mortgaged.

Q. 3. The extent of possible increase in various forms of insurance is very much dependant upon the improvement in the standard of living of the people and making the people of means more insurance-minded. To achieve this, propaganda is very essential. Insurance companies of late have been trying to spread insurance in the mofussil; but they have to encounter a great deal of difficulties and have to incur expenditure out of all proportion to the business that may be available. Some sort of co-ordination of activities among insurers is necessary to cheapen the cost as far as practicable.

Q. 4. There is no central organisation in this country for collecting statistical data on mortality and other matters connected with rate making. Each class of insurer has however, an association of its own; for instance the interest of Indian life offices is looked after by the Indian Life Insurance Offices Association. Another association of the same nature is being run by Non-Indian insurers of which the membership is confined mostly to Non-Indian offices. With regard to General Insurance the whole country is divided into certain territories, each under the control of a local association. These associations are controlled by Non-Indian interests and the representation of Indians on these bodies is insignificant. These associations provide the tariff but it cannot be said that the rates are scientific. In case of Life Insurance business the rates are calculated by Actuaries on mortality tables, especially of British experience with a little addition to ages to provide for the increased mortality. This is not scientific but has been found to work well so far. It is no doubt very desirable to have a central organisation where rates might be prepared based on Indian experience.

Q. 5. Regarding Life Insurance the 'Oriental' has compiled a table of mortality based upon its own experience. It is however doubtful whether this experience could be applied to other companies since it is admitted that for mortality experience to be made applicable to all insurers, the experience

must be derived on a much wider basis. The difficulties in compiling an Indian mortality table are:—

(1) The available data is very small; most of the Life offices being only of a comparatively recent origin.

(2) The actuarial assistance necessary for such purposes was until recently not easily available and consequently the information that is required for the purpose may not be found dependable.

(3) The cost of compiling data comprising the experiences of a very large number of offices.

Regarding General Insurance a good portion of the business is controlled by Non-Indian Companies which have also the control of the Tariff Associations. Unless these associations co-operate it is difficult to obtain any reliable data for the purpose of scientific rate-making.

Q. 6. In our view the public has got so much accustomed to deal through middle-men that it is not possible at this stage to eliminate them. As a consequence the expense of procuration is bound to be high even though it may be suggested that employment is being offered to a fairly good number of people. Besides it would perhaps be useful to continue to employ middle-men for the purpose of educating the public and spreading or inculcating the habit of insurance among the insurable public. Commission and other remuneration are henceforth going to be controlled under the New Insurance Act. Unfortunately the costly type of middle-men e.g. an employer of agents or chief agents, as they are popularly known, are not going to be controlled under the New Act so far as their remuneration is concerned. We do not believe that this costly type of middle-men is a necessity. They could have been dispensed with if the Non-Indian vested interests had not prevailed upon the Authorities.

The procuration cost of business until recently was very very high with regard to certain insurers. It is hoped that since some restrictions have been imposed with regard to small middle-men position would improve. It is early, however, to say to what extent the obligations in this matter are respected by the insurers and the general public. But there is no doubt that if the letter of the law is carried out by all parties concerned the cost is bound to come down. The figures could only be given for the past experiences which, we are afraid, cannot be taken as a guide for the future.

Q.7 (a) Commission has been an important item of expense to an insurer and has been brought within some con-

trol by the Act. But that in itself may not serve any useful purpose if insurers are allowed free hand in spending. We are not in favour of any artificial restriction on these matters as they are governed by the principle of demand and supply. But if control is to come it should be on the total expenses so that the interests of the insured may be protected by preventing unscrupulous or inefficient insurers from encroaching upon what is known as 'net premium' in Life Insurance.

(b) In our view the practice of the rebating has done insurance business a lot of harm. It has kept back honest field-workers. The companies with a view to retain their business somehow have been put to an additional expense. Instead of making the public insurance-minded it has created a feeling in them that they are obliging the insurers by taking out policies. Some agents have been deprived of their legitimate dues, having to give away a good portion of their commission to the assured. This has forced them to increase their business in all possible manner without any regard for quality of the business and capacity of the insurer. The bad quality business has hindered the general growth owing to early lapses and doubtful claims.

Q. 8. About the cost in general we have dealt with above. Detailed information can be gathered from the Insurance Year Book. There is no doubt that the costs in this country are higher than those in other countries such as U.S.A., Canada and Great Britain. Since Indian Insurance companies began making headway only recently and as such business had to be obtained in competition with powerful Non-Indian interests, there was necessarily an unhealthy rivalry which put up the cost of procuration. Unfortunately, the spread of insurance took a turn in a different direction and insurance companies were started in this country without due regard to the experience of the existing institutions and their difficulties. It is also doubtful whether the new growth had the advantage of experienced people and sound financial backing. This position having prevailed for some time, it became a habit with the agents to expect higher remuneration and the companies were forced to pay them either to maintain their old business or to seek further expansion. As increased cost means lesser benefit to the assured, this state of things is forcing up expenditure on new business.

Q. 9. We are of opinion that if the public were to take a little more interest and learn to discriminate between a well-managed office and a badly-managed one, the latter will be forced to improve their methods or go out of the field altogether. Whether we like it or not, at least until such time as

the New Act has been amended, Government interference is an established fact and with little sympathetic attention on their part the Authorities can help in shaping the activities of insurance offices to proper ends. Uneconomic competition owes its existence to various factors and one of them is unhealthy competition. To some extent, competition arises out of a desire to concentrate activities in a limited sphere where there is little scope for sound business coming in without spending much money. Unless business is well-spread and for that the standard of living again will have to be considered, even an honest insurer is not likely to succeed in keeping himself within economic limits. Offering the public insurance at the cheapest possible cost is certainly an ideal object and for that purpose the best solution is, if possible, Nationalization of this industry. But the Government, as at present constituted, do not, in our opinion, make it feasible for the plan to come into operation even at a distant future. The other alternative is co-ordination of the activities of Insurance Offices and control by a strong and sympathetic Central National Government.

Q. 10. We do not think that the time has yet come to introduce the principle of compulsory insurance in respect of unemployment, sickness, etc., although we admit that the object is very sound and praiseworthy.

Q. 11. This is another good object but, we are afraid, it is beyond the competence and means of Indian Life offices as they are at present situated to attempt it in the near future owing to the fact that their policyholders are scattered over large areas to enable the companies to provide for medical help. Initiative in this matter may well be taken by Provincial Governments, and, if need be, assistance might be asked from the Life offices operating in the localities concerned. In the present state it is inconsistent to think of cheapening insurance and also to think of relief at the same time since the present high expenses incurred by companies do not include provision for such reliefs.

Q. 12. Answer to this question would involve consideration of the future form of Government of the country. It might also be added that until such time as insurance has well-spread among the masses it would be unwise to bring the question of Nationalisation of insurance. The idea means the existence of a "Nation and a National Government". The Nationalisation of insurance—especially life insurance is the 'Utopia' of insurance men. But we do not know of any country in which the Government has successfully managed Insurance Business. We are therefore of opinion that it is prema-

ture to take this question into consideration. It is doubtful whether the State control, so far as it exists in our country, has been a success. Looking to other countries it would appear that private enterprises, if properly encouraged and controlled, yield better results and prove more beneficient than State Ownership.

Q. 13. There are certain Latin Republics in South America which have tried the experiment of running Life insurance departments with certain amount of success but authentic information regarding details of their working are not easily available. On a small scale the Government of India have got a scheme of insurance for their employees and insurance departments are also run by a few Indian States. They have the advantage of having good selection, facility of collection, control of lapses, elimination of publicity costs and so on. These contribute to their partial success.

Q. 14. Mutual insurance is applicable to only Life insurance and is prevalent both in India and abroad. The growth in India is insignificant in comparison with that specially in America and England. Special facilities by the Government with adequate safeguards may give necessary encouragement for forming Mutual Life offices in India.

Q. 15. The position of Non-Indian Insurers operating in this country so far as Life insurance is concerned is at present not very strong. They are gradually losing ground in open competition with Indian insurers in spite of the fact that they have tremendous backing of capital, funds, name and organisation. The fact that the Indian public have begun appreciating the value of patronising indigenous enterprises, has also contributed to this set back. Unfortunately the position with regard to General insurance is very different. The number of Indian companies doing General insurance business is very small as compared to Life offices. General insurance business can be developed only among people of means; and as this class has long-standing connections with old established Non-Indian companies it has been found rather difficult for Indian companies to make much headway. In this part of India most of the business is controlled by Non-Indian interests and consequently General insurance is also placed with them. Indian enterprises being in a minority have no voice in shaping the policy of general insurance business and to that extent they are distinctly at a disadvantage. Business being dependent on institutions like the Banks which are also powerfully entrenched, difficulties have always been created in the way of Indian companies expanding business in this direction.

The position would be very much improved if the Government of the country were to give direct support by exclusively insuring with Indian companies and initiate legislation which would enable Indian interests to have a larger share of the available business. We are aware that in the present state of the country and of the Government of India Act, this is difficult to achieve, but efforts could be made to improve the situation.

Q. 16. Owing to the nature of business, Banks do control a very large amount of General insurance particularly Fire; and if they could be made to give preference to Indian companies this class of business can make appreciable progress. The attitude of the Banks at present is very unfortunate and they even go to the extent of not accepting from their clients policies taken out from Indian companies.

Q. 17. It would be certainly advantageous to have reciprocal arrangement with Non-Indian interests for re-insurance business. Besides this, purely re-insurance offices may be floated with proper finance and backing. It is well-known that there are very successful re-insurance offices functioning in Europe. It would be desirable to require Non-Indian insurers to place a certain percentage of their business with Indian companies; but we are afraid, this would be difficult unless there is the backing of the State. It would be worthwhile to consider, why formation of an Indian 'Lloyds' should not be attempted.

Q. 18. We are not in favour of any undue interference by the Government regarding Investment of insurance funds; but the principle "Safety first" should be the motto in all investments, specially in Life. So far as Life insurance is concerned both the public and the Government should encourage growth of Building Societies and Land Mortgage Banks, as also Public Utility enterprises with sufficient safeguards regarding capital and the steady rate of interest. The insurance offices may then be asked to finance these enterprises which would serve the double purpose of earning necessary interest on the funds and doing service to the public.

Q. 19 (a) Provident Funds as at present constituted do give the employees certain reliefs; but in order to make them more useful the amounts accumulated in the Provident Funds should be employed by the employers in purchasing life insurance policies for the employed so that even in case of premature death the dependants may be benefited. A separate Pension Fund in addition to the Provident Fund cannot be recommended at this stage in view of the very small salaries

generally drawn by the average employed, but provision may be made to spread the payment of the accumulations in the Provident Fund over a number of years to the family of the deceased in case of early death. The subject will have to be further considered in detail.

(b) Provident Funds are considered as trust funds and the Income-Tax Authorities insist on having a proper trust created before it gives rebate to the contributor on his contribution. Generally, trustees are employed by the employers and trust deeds are prepared to safeguard the interests of the employed contributing to the funds. Restrictions are imposed by the employers themselves towards the use of this fund. But they generally allow the employed to use these accumulations for the purpose of purchasing life insurance policies from approved Life insurance offices.

Q. 20. The consideration of the question depends upon the future form of the Government of the country when it takes shape in view of India's planned economy. It is dependant upon various factors, e.g. the state of the society, the standard of living of the people and also the political condition. So it is difficult to answer this question at this stage.

Q. 21. (1) Training young men before taking them into service, (2) Commercial schools and colleges to make provision for special courses in all forms of insurance, (3) Provision for permanent employment and benefits for field-workers, (4) Supervision by a central body as to the activities of the field-workers. If we achieve these objects, we think, we shall be able to give the public efficient service and also manage the affairs of the insurance offices more economically to the benefit of the insured.

APPENDIX III

Replies to the Questionnaire issued by the Insurance Sub-Committee

Replies by New India Insurance, Hukumchand Insurance The British India General Insurance Company, Limited, and Gokuldas & Co. Insurance Department

Q. 1. What are the different forms of Insurance commonly taken out by people in your part of the Country excluding agricultural and industrial?

Ans. 1. Life and Endowment Insurance, Fire Insurance, Marine Insurance, Automobile Insurance, Workmen's Compensation Insurance, Earthquake, Plate & Glass, Burglary, Surety and Indemnity Bonds, Riot and Civil Commotion.

Q. 2. How far is the habit or custom or system of taking out Insurance to provide:

(a) Life Insurance and annuity contracts covering for Insurance in the event of premature death, endowments for retirements, endowments to secure costs of marriage or higher education of Children.

(b) Fire Insurance.

(c) Marine Insurance.

(d) Burglary, Robbery, and Theft Insurance.

(e) Other property Insurance such as Earthquake, Business interruption, Riot and Civil Commotion, Plate & Glass, Title Insurance and Credit Insurance.

(f) Disability (Accident & Health) Insurance.

(g) Consequential loss or third party damages.

(h) Fidelity and Surety Bonds.

(i) Automobile Insurance.

common in your part of the Country? Please supply figures distinguishing various forms, classes and tables of Insurance.

To what extent do you think there is room for introducing new forms of Insurance business?

Ans. 2. The classes of Insurance marked (d), (e), (f) and (h) in question 2 are but infrequently effected.

Statistics are not available for different classes of Insurances except Life, Fire, Marine and Automobile Insurance.

Apart from the figures published in "The Indian Insurance Year Book" statistics are not available and no information can be found to distinguish various forms, classes and tables of Insurance. Most if not all forms of Insurance are available to the public.

Q. 3. What is the extent of possible increase of the various forms of Insurance mentioned above within a period of 10 years envisaged by the Planning Committee?

Ans. 3. If proper facilities are given to indigenous Companies by the Government and if the public patronise indigenous Companies, there is much scope for further development of various forms of Insurance.

Q. 4. Is there any central organisation to regularly collect the statistical data which may be useful for the purposes of rate making and other statistical information in connection with the forms of Insurance mentioned above? If no such organisation exists, what are the basis on which the rates are now calculated? Do you consider it necessary to have such a central organisation?

Ans. 4. Certain Insurance Associations chiefly in connection with Fire and Automobile Insurance collect data for the purpose of rate-making. Where this is not done, individual assurance companies act according to their experience of the business.

A Central Organisation to collect statistical data would be of value.

Q. 5. Have any data of Indian Experience been collected in this behalf, and, if not, what are the difficulties in collecting such data?

Ans. 5. No separate data has been collected as regards the experience of Indian Companies. There should be no insuperable difficulties for a Central Organisation collecting such data from the Insurance Associations.

Q. 6. What are the commission and other remuneration paid to middleman for the procuration of various classes of Insurance business in your part of the Country? How far do you think the institution of middlemen of insurance business helps or hinders the growth of insurance habit?

Ans. 6. With the coming into force of the Insurance Act 1938, commissions payable to brokers and agents have been fixed. In the case of business other than Life this commission is fixed to 15% and in Life Buusiness it is fixed to 40%. But the

commission payable to Chief Agents or say Employer of licensed agents is not fixed. The Act has fixed the minimum but not the maximum. The Chief Agents can get whatever commission the Insurer desires to pay. But various Tariff Associations mainly Fire and Marine have laid down rules by which the Employer of Agents can get 25% commission plus expenses of management which come to about 10%. In Calcutta, however, the commission paid to Chief Agents is not limited and it always exceeds 50% and reaches sometimes to about 70%.

It is our opinion, as well as the opinion of all Indian Insurance Companies that the system of Chief Agency should be abolished if business other than life is to be conducted on an economic level. This system has been obstinately carried on even though Indian Companies objected to it simply with a view to provide certain foreign commercial firms who have vested interests as Managing Agents of Industrial Concerns with the remuneration by way of commission and otherwise received by such firms as their personal profit.

We think that the institution of middlemen is essential to the growth of Insurance habit.

Q. 7. (a) Do you consider that the interests of Indian Insurance would be served if the Insurance Law laid down the maximum limits of acquisition cost by restricting the rate of commission that may be paid to all classes of agents?

(b) How far has the practice of rebating commission (sharing commission between the agent and the assured) adversely affected the progress of Insurance business?

Ans. 7. (a) Yes.

(b) We do not think the practice has adversely affected the progress of Insurance Business. It is responsible for a largely fictitious scale of premiums and for this reason attracted adverse criticism.

Q. 8. What are the average costs to Insurance Companies operating in this country for the procuration and the management of each class of business? Do you consider the basis of cost to be higher in this country than in other countries? If so, how far does the increased cost deter the spread of Insurance habit?

Ans. 8. Apart from the information given in the Indian Insurance Year Book in connection with life Assurance, the average costs of each class of Indian business cannot be extracted from the figures published by Insurance Companies.

We consider the basis of cost to be higher in this country than in other countries where Insurance has been developed for many years. The increased cost acts as some deterrent to the spread of Insurance habit. The causes of the increasing costs are:

(a) Share of Indian Companies in business available in India is very little.

(b) The Indian public is not Insurance minded. The Insurance habit has not developed as much as in other Western countries, and

(c) Indian Companies have to depend for the conduct of their business only on Indian business and have very little scope to extend their activities in outside countries due to varied restrictions as regards their operations.

Q. 9. Do you consider that the basis of administration, organisation and financial structure of the insurance business in the country requires any re-adjustment, and if so, in what directions, so as to minimise uneconomic competition and so as to make it possible to offer to the public insurance at the cheapest possible cost?

Ans. 9. Yes. Readjustment be made on the following lines:

(a) Elimination of the system of Chief Agency.

(b) Restricting brokerage from 15% to 7½%.

(c) Compulsory reinsurance of 10% by foreign Companies with Indian Companies.

(d) Placing of Insurance business of Government, both Central and Provincial with Indian Insurance Companies without an intermediary.

Q. 10. How far do you consider it advisable to introduce the principle of compulsory insurance of unemployment, sickness and other contingencies? If you accept this principle, What are the ways for giving effect to it?

Ans. 10. We are opposed to the principle of compulsory Insurance but realise that in schemes of social insurance compulsion is often necessary. In such case it should be a subject for State Insurance and can be conducted by Government departmentally.

Q. 11. What services in the way of medical, maternity, and other reliefs or benefits would it be desirable for Life Assurance Companies to offer to Policyholders, as is done in some foreign countries?

Ans. 11. It would be desirable for Life Assurance Companies to provide services aimed at improving the health of policyholders. The practical difficulties in the way of offering such services is the minute proportion of assured persons in this country and the proportionately heavy overhead expenses which would be incurred in making such services available to all policyholders.

Such services are available in countries of Europe especially Germany where free passes are issued to policyholders to go once a year to certain prescribed doctors and secure thorough medical examination.

Q. 12. In order to cover the entire ground of Insurance, how far do you think it would be feasible to organise the Insurance system as a public utility enterprise owned and conducted by the State?

Ans. 12. It is not possible and we do not think it would be satisfactory to organise a national enterprise to cover the entire ground of Insurance. In no country of the world, State Insurance exists.

Q. 13. Do you know any country where State Insurance departments have been successfully operated as monopolistic Institutions or as institutions competing with private enterprise, and if so, what are the essential conditions which contributed to their success?

Ans. 13. There is no country where a state Department operates as a monopolistic institution. There are countries like New Zealand, Brazil, Mexico and possibly others where a State Insurance Department competes with private enterprise but whether successfully from the point of view of the public as a whole, it is difficult to say.

Q. 14. How far has the development of the mutual and co-operative units for the transaction of various classes of Insurance business proceeded in this country compared to the development of such units in other countries? To what classes of Insurance is the principle of mutuality applied both here and abroad? What methods would you suggest for its more extensive development?

Ans. 14. The Development of mutual and co-operative units for the transaction of Insurance business has not proceeded far in this country, nor has there been much development in this direction in recent years in other countries of which we are cognizant. In this country the only mutual units we are aware of transact only life and workmen's com-

pensation insurance. In the United Kingdom the principle of mutuality is applied chiefly to life business, but there are mutual units catering for automobile, workmen's compensation, plate-glass, and certain types of marine and war risks insurance. In the United States of America the principle of mutuality is applied to many classes of insurance and there are mutual fire insurance associations also.

Q. 15. What is the position of the Non-Indian Insurers operating in this country from the point of view of their share in each class of business transacted and their methods of competition against Indian enterprise? Do they have any direct or indirect advantages? Can you suggest ways and means to enable the Indian enterprise to control the insurance business in this country? Would you suggest any appropriate action by Government in this behalf?

Ans. 15. No information available apart from that given in the Indian Insurance Year Book. The methods of competition of Non-Indian Insurers against Indian enterprise have no unusual features except that, transacting a world wide business, they are in a better position to compete in the generally high acquisition cost of Indian business. In our view it is only by appropriate action by Government that Indian enterprise could be enabled to control the Insurance business in this country. The Insurance Act 1938 controls somewhat the insurance business, but still more provisions are necessary to put it on a sound footing.

Here we would like to refer to the working of Lloyds in this country. Under the Insurance Act, Lloyds have been allowed to work in this country on a nominal deposit. Further, Lloyds are not Members of any of the Tariff Associations and they always quote substantially lower rates than the Tariff rates, which results in deflection of business from Indian Companies to Lloyds.

It is, therefore, necessary that in any scheme of National Insurance, the pernicious practice of Lloyds Underwriters should be brought to an end.

Q .16. Do you consider that Banks can help to promote Indian Insurance business, and, if so, how?

Ans. 16. Yes. Banks can help a lot. All the properties and commodities against which advances are made by the Banks are all insured. If Banks incorporated in India insist for policies of Indian Companies as is done by Foreign Exchange Banks, much of the present business of Indian clientele will go to Indian Companies.

The Foreign Exchange Banks operating in this country refuse to accept policies of Indian Insurance Companies, and it is a condition precedent laid down that they would accept policies only of Non-Indian Companies for the purpose of advances.

Q. 17. Taking into consideration the fact that the distribution of risks geographically and by class constitutes the most important factor in the under-writing of Insurance business to secure the application of the law of averages, do you think it necessary and desirable to reinsure with Non-Indian Concerns on the basis of reciprocity? Do you think it advisable to require Non-Indian Insurers to place a prescribed percentage of their business to be reinsured in this country?

Ans. 17. We consider it desirable to reinsure with Non-Indian Offices provided reciprocity is obtained. If various provincial governments start Insurance Departments where all surplus insurance of Companies be placed, the necessity of reinsuring with foreign Companies for smaller risks will not arise. In all cases, principle of reinsurance is economically very sound.

We are strongly in favour of Non-Indian Companies being required to reinsure a certain percentage of their Indian business with Indian Companies.

Q. 18. Have you any suggestions to make regarding the investment of Insurance Funds?

Ans. 18. This is largely controlled by legislation. We are of the opinion that Companies should be given scope regarding their investments. The Act lays down that 55% of the fund have to be invested in Government and approved securities. This percentage is too high. In Japan the policy of investments has been followed very divergently as compared with other countries of the world. India's industrial position is just like Japan. The reason for this divergent policy of Japanese life insurance is that the circumstances in which the economic life of Japan has developed are different. In view of this, limitation of investments to the sphere of industry has been more generous in Japan than in Western Countries; and this policy has largely contributed to the development of productive enterprise. In Japan Life Insurance Companies perform the function of supplying funds to business enterprise and their position in industrial finance has become co-relative with Banks.

In our country the policy of investment of the Japanese Insurance Companies should be followed as private capital

is very shy. As such insurance Companies should be given larger scope for their investment than what we have today.

Q. 19. (a) Do you consider that the Provident Funds as created by Government, other Statutory bodies, Joint Stock Companies and other business houses for their employees constitute a sound arrangement to secure them benefit on retirement? Do you consider that a Pension Fund, or a life Insurance system under which the employees will be entitled to a death benefit while in service and to a pension on retirement, is desirable? If you consider that this should be in addition to a Provident Fund, what modifications do you suggest in the Provident Fund benefit?

(b) Are there any restrictions as regards the use by the employers of Provident Fund for the purpose of life assurance?

Ans. 19. (a) We consider that a Provident Fund should give optional benefits to employees such as a pension on retirement and life assurance during service but that the option should lie with the employee.

Ans. 19. (b) We believe there are in most cases.

Q. 20. How far is the existing legislation in regard to insurance necessary to be amended in your opinion for making insurance an integral part of India's Planned Economy?

Ans. 20. The whole Act will have to be revised.

Q. 21. How would you organise those engaged in insurance in regard to their training, conduct and discipline while they are engaged in that business so as to assure an efficient service to the insuring public and at the same time adequate economy to the nation collectively in the undertaking and management of that business?

Ans. 21. We are of the opinion that insurance should be one of the subjects for training in High Schools and Colleges.

APPENDIX IV

THE EAST INDIA COTTON ASSOCIATION LIMITED.

Cotton Exchange,
Marwari Bazar,
Bombay, 27th July 1939.

No. 7940/E/246.
The Secretary,
Bombay Fire Insurance Association,
BOMBAY.

Dear Sir,

I am directed to inform you that the Board of Directors of my Association have had under consideration the effects which the New Insurance Act will have on the Cotton Trade and to communicate their views on the subject as under:

1. Under the old regulations cotton merchants used to obtain rebate or commission varying from 45% to 55% on the insurance premium payable on cotton. Since payment of rebate to clients in any form is prohibited under the New Act, there is an automatic increase in the rates of insurance to that extent. This sudden increase in the fire premium adds an unwieldy burden on the cotton trade at a time when cotton is being sold at very uneconomical prices.

My Board are of the opinion that even the present insurance tariff on the Port Trustee's Cotton godowns and Jethas at Sewri is too high when due consideration is given to the precautions that have been taken to prevent any serious conflagration by the special planning, design and structure of godowns, and also of the spacing of Jethas and the provisions of the most up to date means of combating an outbreak of fire like automatic sprinklers etc. They consider that the increase in the tariff rates of insurance for the cotton godowns outside the Port Trust area and the varying percentage of enhancement on jetha rates of insurance both within and without the Port Trust area in July 1934 was not justified in view of the incidence of fires at Sewri being not so much as before. Having regard to the additional premium which the insurance companies will secure under the New Act owing to the stoppage of rebate to the assured, coupled with the fact that the maximum commission or remuneration payable to agents in respect of fire insurance has been laid down at 15% of the

premium, the demand for a substantial reduction in insurance rates must be considered fully justified, and my Board urge that these rates should be reduced by at least 35%. It is realised that your Committee may take some time for introducing reduced rates but my Board suggest that these reduced rates should be given retrospective effect from July 1, 1939.

2. Further, it has been brought to the notice of my Board that the premium in respect of railway transit risk from one station to another in India, which was ½ anna per cent nett subject to 5% discount, has been increased since July 1st to 1½ anna i.e. 300% without any rebate. My Board understand that the attention of your Committee has already been drawn to the fact that this increased rate is too high. My Board do not see any reason why the rate should at all be increased from ½ anna as a result of the passing of the new Insurance Legislation, especially as no rebate is allowed thereunder.

3. My Board further understand that the rates for coastal transit have also been enhanced by more than 100% from July 1, 1939 as the previous rates were exactly half the present rates and were subject to a discount of 10%. In this connection my Board wish to point out the anomaly of the rates charged. While the revised rates from Karachi to Bombay and from Bhavnagar to Bombay are 1 anna 6 pies % W.A. and 3 annas % W.A., respectively, which are without cover of country damage, the rate on cotton from Karachi or Bhavnagar with transhipment at Bombay right up to ware-houses 500 miles or more in the interior after landing at any continental port is not more than 2 annas 3 pies inclusive of country damage. My Board fail to understand the *raison d' etre* of the internal trade being curbed thus, though it is the duty of the Indian Insurance Companies to stand by and help the Indian trade and not impose any further burden on the trade by such increases in the insurance premium. They, therefore, trust that your Committee will reconsider their decision to increase the coastal tariff rates and to restore the old rates of insurance.

4. My Board are willing to co-operate with your Committee in the matters referred to in foregoing paragraphs and they would be glad if you will kindly let them know whether your Committee would extend their co-operation in the matter of working out a scheme whereby a nett rate would be charged by the Insurance Companies to all members of this Association uniformly, on similar lines as those now being worked out by your Committee in consultation with the Bombay Millowners' Association in respect of insurance in Mills.

5. It is indeed a pity that at a time when the price of cotton is so low as not even to leave the bare cost of production to the growers, the new Insurance legislation should be used by Indian Insurance Companies as a handle for increasing their charges and incidence of insurance premium on Indian cotton. It is a well-known fact that all these charges are ultimately transferred to the original producer, as, no doubt, cotton merchants, exporters and dealers will take into account the higher insurance rates in calculating the prices at which they can buy cotton upcountry. My Board would, therefore, urge that the Committee of your Association take a broad view of the whole question and immediately announce a suitable reduction in the insurance rates on cotton as suggested above.

Yours faithfully,
Sd/- C. M. Parikh
Secretary.

THE EAST INDIA COTTON ASSOCIATION LIMITED.

Copy of letter No. 4791/10 dated 31st August 1939 from the Secretary, The Bombay Fire Insurance Association, to the Secretary, The East India Cotton Association Limited, Bombay.

"I refer to your letter No. 7940/E/246 of the 27th ultimo and am directed to inform you that my Committee have carefully considered all you write, and while it may be true that the insuring public have in the past received rebates off their Fire Insurance premiums, the level of these rebates having risen precipitously during the last few months, it does not necessarily follow that on the cessation of such rebates there should be a proportionate reduction in the insurance rates.

It is a well-known fact that during the last twelve months or so, due to intense competition many Companies in Bombay have been transacting insurance on an uneconomic basis. A number of offices have purposely underwritten business at a loss merely to secure new connections which they hoped to retain subsequently to the 1st of July from which date the new Act made the offer or the acceptance of a rebate a criminal offence.

You will appreciate that one of the main purposes of the Insurance Act 1938 is to improve the stability of insurance companies by enabling them to build up reasonable reserves thereby ensuring reasonable security to policy holders.

If uneconomic rebates are to be replaced by uneconomic rates this purpose will obviously be defeated and policy holders will be worse off than before because the feeling of security afforded by the Act will be entirely unfounded.

My Committee assure you that under the new legislation they will examine closely the claims experience of all classes of risk and wherever possible relief will be given to trade and industry on that basis.

So far as the rates for cotton at Sewri are concerned, my Committee have these constantly before them, and while the loss ratios are for the most part as high as the rates will economically stand, the losses on outside godowns far exceed the total premium income over the past seven or eight years.

With reference to paragraphs 2 and 3 of your letter, these are matters which concern the Bombay Underwriters' Association and they are being passed to that Body for attention.

In conclusion, my Committee request you if and when you communicate with your members on this subject to emphasise that as from the 1st of July rebating both as regards the giver and the *receiver* is punishable as a criminal offence. Further it would be appreciated if you would recommend your members to co-operate with the Government and Insurance Companies in their endeavour to stamp out the pernicious practice of rebating in the knowledge that the improved conditions that will ensue will be reflected in the rates eventually fixed.

SECRETARY

THE EAST INDIA COTTON ASSOCIATION LTD.

The Secretary,
Bombay Fire Insurance Association,
BOMBAY.

Dear Sir,

Your letter dated 31st August 1939 was considered by the Board of Directors of my Association on the 9th instant and I am directed to convey to you the very great disappointment of my Board at the contents of your letter. I am to say frankly that my Board feel that in your letter you do not state any fact which can enable them to convince the members of the Cotton Trade that their request for a reduction in

insurance rates is not justified. My Board understand that you have in effect reduced insurance rates by giving higher rebates to mills including rates for raw cotton stored in mills. Further you do not state what experience the Insurance Companies have had till now which justify their collecting from 1st July 1939 rates of insurance almost double of what they did till last year. For you to say that business was being under-written till last year at a loss will require some proof. Further it would be more difficult, if not impossible, to believe that business was being underwritten at half the economic rates. My Board feel that it would be extraordinary for the Insurance Association to overlook the fact that any raw commodity cannot bear double the rates of insurance all of a sudden and all this because the Insurance Legislation was passed with the free assistance of the commercial body whom it is now proposed to penalise for it. My Board very strongly urge your Committee to look at it from this point of view and trust that the Insurance Companies would not try to reap a golden harvest all of a sudden in this manner.

While my Board were from the very start against any rebate being given and would discourage any such tendencies hereafter, I am instructed to ask your members to consider whether they are not expecting too much from the insured when they themselves try to make the best of what the law awards them but certainly equity cannot justify them taking. If Insurance Companies care at all for the goodwill of the public and their clients, my Board desire that they should seriously think over the attitude which they propose to adopt. I am to express the fervent hope that your Committee will reconsider their attitude without delay.

I am to add that the correspondence with your Association in this connection is being forwarded to Pandit Jawaharlal Nehru, Chairman of the National Planning Committee,, the Insurance Sub-Committee of the National Planning Committee and to the Government of Bombay for their information.

Yours faithfully,
Sd. C. M. Parikh
Secretary.

Copy of a letter No. 285/1 dated 13th September 1939 from The Bombay Under-writers' Association to the Secretary, East India Cotton Association Ltd.

My Committee have received from the Bombay Fire Insurance Association an extract from your letter to them of the 27th July last on the subject of cotton insurance rates by steamer.

My Committee regret that they cannot agree with your Committee as they consider they are the best judges on their experience of what rates of insurance should be charged for the risks covered. Perhaps your Committee have overlooked that in the past 4 or 5 years there have been 5 total losses of steamers trading on the Indian coast without adding the numerous everyday claims under Particular Average, and coastal business has not been profitable.

With regard to railway transit risks, it may interest you to know that a considerable number of our members will not accept such business owing to the bad loss experience.

Your Committee well knows that the reason for the half anna rate was the ridiculous non-tariff competition on a "business at any price" basis which has been conducted in the past few years.

As regards coastal rates, it is not a question of Indian coastal rates being enhanced and other overseas rates being left as they stand. It is a fact that the Indian Insurance Act allows us to enforce control whereas overseas business is, as you know, subject to attack from overseas markets. My Committee admit present overseas rates are too low and are endeavouring to bring about a tariff to increase them substantially which when introduced will have the support of the Government of India Act, and thus the difference now apparent will be obviated, and we trust Companies will again be receiving appropriate premiums, both coastal and overseas, for the risks insured against.

My Committee regret they cannot re-consider their decision on the tariff rates now but alterations may be made from time to time either way in the light of experience.

C. M. Parikh
SECRETARY
East India Cotton Association Ltd.

APPENDIX V

ANSWERS TO QUESTIONNAIRE

(1) Life, Fire, Marine, Motor, Workmen's Compensation, Earthquake and Riot & Civil Commotion.

(2) a. Life Insurance is common to certain extent among educated classes. Endowments for retirement are more common than any other class of Life Insurance. Endowment for Children's marriage and education are getting popular.

b. Commonly prevalent in Provincial or Industrial Towns.

c. General for export goods.

d, e, f, g & h. Rarely effected except earth-quake and riot.

i. Fairly common amongst automobile owners.

(3) There is a great scope for extensive development.

(4) Certain Fire, Accident and Marine Associations collect the necessary statistical data for fixing rates. But there is no Central Organisation collecting statistical data for the whole of India. So far the Life is concerned we have to depend upon foreign mortality tables. An organisation for collecting mortality statistics is necessary.

(5) None to our knowledge except the experience of Oriental in the matter of Life Insurance. The difficulty is due to the infancy of our business.

(6) In case of business other than Life, commission is paid at 15%. In Life maximum commission is 40%. Middleman is a necessity in insurance. So far he has been a great help in developing insurance habit.

(7) a. Yes. The acquisition costs should be restricted. It need not however be done by restricting only the commission to agents.

b. The practice of rebating to the extent it was prevalent left little margin for the agent and did not attract the right type of man to the profession. It also was responsible to a certain extent for fictitious scale of high premium.

(8) Figures of cost are not available except for Life Assurance which can be had from Indian Insurance

Year Book. The costs of procuration and the management of each class of business is higher in this country than in others. The higher cost does not allow the Indian Companies to compete with the Foreign Companies on a footing of equality; and as long as Indian Companies are not in a position to serve the Indian Public at lower cost the insurance habit cannot be made as wide-spread as it should be.

(9) With the elimination of Managing Agents system no further change may be necessary in the administration and organisation of insurance business. The uneconomic competition can be minimised only when such competition from the Foreign Companies ceases.

(10) We are averse to compulsory insurance of unemployment, sickness and other contingencies, unless Government conducts it.

(11) It would be desirable to offer such services as Medical, Maternity, and other reliefs to policy-holders, but the cost of such services would be so heavy that it would not be possible for the Insurance Companies to offer these to policy-holders without increasing their rates considerably.

(12) We do not think that it would be feasible in near future to organise insurance system as a public utility enterprise.

(13) No.

(14) Development on this basis has been only in life and Workmen's Compensation Insurances.

(15) Except Life Insurance major portion of other Insurances are controlled by Non-Indian Insurers. Their big turn-over of business and relatively lower acquisition costs of business in other parts of the World make them successfully compete with the Indian Insurers. Government alone can put the Indian Insurers on a favourable basis for competing.

(16) Yes. If Banks insist on Policies of Indian Companies against their advances, business of Indian clientele will go to the Indian Companies.

Exchange Banks can also help Indian Insurers by agreeing to accept freely the policies of Indian Companies.

(17) Yes. It is necessary and desirable to re-insure with Non-Indian Companies provided reciprocity is obtained. We are strongly in favour of Non-Indian Insurers being required to reinsure a certain percentage of their Indian business with Indian Companies.

(18) There should be greater scope for investment in safe industrial enterprises than is allowed under the Insurance Act, 1938.

(19) a. Provident Fund arrangement is sound, but pension and a death benefit while in service would be more desirable than Provident Fund. Pension scheme can be based on the model of the Government Pension Scheme.

b. There are in many cases.

(20) Far-reaching amendments and changes will be necessary in the Insurance Act particularly (1) for enabling Indian Insurers to get major portion of Indian business, (2) for making insurance investments available for Industrial development of the Country.

(21) Insurance should form one of the subjects for teaching in Schools and Colleges.

APPENDIX VI

The Mill Owners' Association,
Patel House,
Churchgate Street,
Bombay.
29th November, 1939.

No. 4936/35 of 1939.
The Joint Secretary,
The National Planning Committee,
(Insurance Sub Committee),
Old Custom House,
BOMBAY.

Dear Sir,

I am directed to acknowledge the receipt of your letter No. 4-5/1603, dated the 13th September 1939, in which you request my Committee to express an opinion on the various points raised in your Sub-Committee's Questionnaire. The Questionnaire has been carefully examined by my Committee, and while they greatly appreciate your courtesy in referring the matter to them, they regret that the Association has not the technical experience or knowledge which is so very essential in giving detailed replies to the questionnaire. My Committee would, however, answer questions 2, 10 and 12 as under:—

Question 2 It is customary for mills which are members of this Association to insure their properties against fire risk and riot and civil commotion risks. In addition, the motor vehicles used by members are also insured against accident and third party risks. The workers employed in member mills are also insured against workmen's compensation risk, and the Association has established a Mutual Insurance Company which undertakes this type of insurance on behalf of member mills. Member mills also insure in many instances against loss of profits.

Question 10 The Association does not favour the introduction of any schemes of insurance of this character, but if they are introduced, the scope should not be limited to particular industries and should be on an all-India basis, and the general principles governing insurance of these types should be on the lines adopted in the United Kingdom, i.e. premium

payable should be shared proportionately by the State, the Employers and the Employees.

Question 12 The Association in general considers it inadvisable for the State to own or conduct insurance business. It would prefer that the insurance field should be left to private enterprise and that the international character of many types of insurance should not be interfered with. Insurance business in India as at present conducted is in the nature of a public utility service. The Association does not consider that the general or private interests of the insuring public would be any better served by organising insurance as a State enterprise. The Association is very doubtful whether it would be feasible for the State to organise insurance, and it is opposed to any attempt being made in this direction.

Yours faithfully,
Signed
Secretary.

APPENDIX VII

CERTAIN SPECIFIC ISSUES IN THE SUB-COMMITTEE REFERENCE

1. Insurance, in all its forms, and particularly in regard to health, accident, provision for old-age, and for certain common emergencies of daily life should be regarded as a Public Utility Service.

2. Insurance of lives, of several forms of property, and as regards business risks, including those in transport and the fidelity of workers may be left in private hands, under rigid public control, so long as the regime of individual private property lasts.

3. The objective in regard to the Insurance Service in all its varied forms, should be that all contingencies of daily life should be duly provided for, thus rendering the individual free from the anxiety of social insecurity, which today accounts for large wastage of human energy in the mere anxiety to find ways and means of maintaining a certain level of social security.

4. At the present time, out of the total potential scope for Insurance in regard to life, fire, marine, burglary, robbery, or theft, all other forms of property insurance, or such risks as earthquake, business interruptions, civil commotion, title, credit and fidelity insurance, are covered to the extent of not one per cent of this potential margin.

5. Ways and means must, therefore, be devised, as integral parts of the Planned Economy to afford such Insurance, so as to round up and complete the sense of social security, in the period of the Plan progressively.

6. Insurance as regards provision for old-age, treatment during sickness, whether of working adults, of superannuated persons or of children under working age, should be particularly the care of the State.

7. Even if conducted as private enterprise under private management, the organization of Provident Funds or old-age pensions, health, holiday and accident Insurance, as well as unemployment Insurance, should all be under the general supervision, control, and regulation by the State. The State should be a contributory along with the parties insured, and their employers, in creating the total fund for Insurance.

8. It is possible that if and when all the varied forms of Insurance covered in the general term "Social Security" have been organised as a Public Utility Service under the auspices —if not under the direct management—of the State, there may be no need to provide for Life Insurance for particular individuals, or even for Insurance against some of the contingencies of modern social life, such as provision for education of children, dowries for daughter's marriages, and cases of that kind, as Education would become a stage obligation, and dowries, etc., abolished.

9. While, however, any sector of the Insurance business as a whole continues to remain in private hands, such part of the Insurance Business will have to be closely supervised, controlled and regulated by the State, whether or not it is itself a party contributing to the general scheme of providing such insurance.

10. A general policy should also be laid down, if so considered advisable, for the progressive acquisition by the State of such forms of Insurance Business as may be under private ownership and management, with just compensation of those private interests which have been engaged in such business.

11. The State, however, has, in India, still a large leeway to make up, even in those branches of Insurance which must be regarded as more particularly the domain of public authority, like the Provincial Governments, or Municipal and District Board Authorities, in regard to such forms of Insurance as are covered in what is known as social security, including Insurance for old-age, unemployment, health and sickness, maternity benefits, workmen's compensation, etc. These several forms of Insurance, whether conducted by the State directly or under private enterprise, should be made on a contributory basis, in which the State must also make its contribution just as the insured, and those benefiting, if any, from the activities of the insured.

12. In order to organise the National Insurance System on a sound, allround, nation-wide basis, embracing every contingency needing to be insured against, it would be necessary to establish a Central Co-ordinating National Insurance Institution. Such an institute would not only provide for the management of such of the Insurance Business as is carried on by the State or any of its representative directly, but, also for the supervision, control and regulation of those portions of the Insurance Business which are under private enterprise, and also for those to which the State becomes a contributory.

13. There is, at the present time, a great dearth of statistical data and other material needed to provide an efficient

Insurance Service, as regards all forms of contingencies needing to be insured against. It must be, therefore, one of the most urgent and important tasks of this Central Organisation to collect the necessary statistics, data or material, which is at present lacking with special reference to India, and comparatively, so as to ensue a proper basis under Indian conditions for rendering such Insurance Service.

14. At the present time, the data, material, or statistical information on which insurance business is being conducted in this country, whether by Indians or non-Indians, are mainly of non-Indian origin or non-Indian analogy. This is essentially unsound, and liable to betray the entire Insurance Business into unwholesome channels. It is, therefore, of the utmost importance that these data, material, and information relating to Indian conditions be collected, sifted and compiled at the earliest convenient opportunity. The Central Government of the country must, therefore, be requested to take this work up immediately in hand, whether on the occasion of the approaching Census in 1941, or by some specific organisation exclusively devoted to this work.

15. The National Insurance Institute should have its counterparts in every province and other units forming the Federation of India, wherever any form of insurance is being carried on directly by the State or its representative, or in which the State or its representative is directly or indirectly concerned.

16. The Division of powers and functions between the National and Local Insurance Authorities representing the State should run mainly on the general lines as follows: that the Central Authority should lay down the basic policy and control in the ultimate analysis, and the investment of funds provided under the different heads of Insurance; while the Local Authorities representing the State, each in its own area, should concern itself with the carrying out of that Central Policy, and administrating the daily affairs of each insurance unit.

17. Insurance business in this country carried on by Indian as well as Non-Indian enterprise, is mainly, if not wholly, of a private character. Apart from the Post Office Insurance for their employees, and provision by way of Provident Fund by the State Railways or for some categories of public employees, there is hardly any kind of Public Insurance Enterprise in this country.

18. Non-Indian Insurance Enterprise is generally able to compete on unequal terms with the corresponding Indian

enterprise, usually to the prejudice of the country. Any scheme of National Insurance, must, therefore, provide for a gradual elimination of the Non-Indian enterprise operating in this country, and its place being taken by Indian enterprise, so as to permit of its regulation, control and supervision, even if it continues under private ownership and management, being made more easy for the State.

19. The maximum scope open for the extension and expansion of Insurance Service in this country has already been indicated above. With a view to make Insurance co-extensive with all insurable contingencies, as integral part of the Plan, the State in India should, by legislation or executive action as the case may be, adopt every device to facilitate such extension and expansion, looking upon such insurance as in the nature of a Public Utility Service.

20. Wherever private enterprise has to be allowed to continue to operate in portions of the Insurance Service, it would be advisable, in the interests of an Efficient Plan, to reorganise such enterprise progressively on a Mutual and Co-operative Basis.

21. The portion of Insurance Business, at present covered by Mutual or Co-operative Units, in comparison to that under private hands, is shown under the following statistics.*

22. In order to facilitate extension and expansion of the Mutual and Co-operative system, wherever considerable number of people, workers or otherwise, are to be found under more or less homogeneous conditions, every facility should be provided to encourage them to organise as Mutual or Co-operative Societies for Insurance against their common contingencies of Life.

23. Special Insurance Legislation providing for the Institution of a National Insurance Institute, as well as for the general regulation, control and supervision of the Insurance Business in the country, must see to it that no unfair or unequal advantage is enjoyed by non-Indian enterprise in the field of Insurance in India. Where indirect or direct advantages are enjoyed by them as against corresponding Indian enterprise, they must be effectively dealt with so as to secure equality of competition and opportunity for the Indian enterprise.

24. Close co-relation must be established between Banks in India and Insurance enterprise, subject to the general provision of the governing legislation, both as regards banking and as regards Insurance, and all available funds collected by the

* For Statistics, see ante. p. 45.—Editor.

Insurance Enterprise should be made available for the appropriate banking institution for safe, effective, and profitable investment under the Plan.

25. Re-Insurance business should progressively be Indianised. The scope of the business, at the present time, is indicated by the following figures:**

26. Given the potential field available for the expansion of Insurance Business in general, it would be easy to estimate what drain such Re-Insurance business would involve of material wealth from India, if steps are not taken by the Planning Authority to Indianise progressively the re-insurance business of all forms.

27. Non-Indian Insurance Business operating in India should likewise be required to re-insure part of their Indian as well as non-Indian business with the National Insurance Authority in India, or any form of Mutual and Co-operative or even private Insurance Enterprise that conforms to the conditions laid down by the general legislation in that behalf.

28. The investment of Insurance Funds must be regulated closely by the Governing Legislation, and carried out under the supervision of the National Planning Authority by and through the National Insurance Institute, in close co-operation with the National Banking Organization.

29. All reserves created by private enterprise, and acting ultimately in the nature of Insurance Provision, and all other funds collected by Insurance Enterprise, should be available for investment preferably in the enterprise started, controlled, supervised or regulated by the National Planning Authority, in such proportions as that authority may from time to time determine.

30. While private enterprise continues, all employers of every form of labour—whether individuals, joint stock Corporations or Government—should be required to institute some kind of provident fund for their employees, or make pension arrangements, or help them in providing life insurance, so as to assist them, their families and dependents in obtaining a measure of social security, which would otherwise not be available.

31. Adequate arrangements must, therefore, be made by the National Insurance Institute, under the general supervision of the Planning Authority, for the proper training, conduct, and discipline of those engaged in the Insurance Busi-

**For these figures, see ante. p. 47.—Editor.

ness, either as Managers, Canvassers, Statisticians or Actuaries.

32. The present predominance and multiplicity of the middle-men in the various types of agents working in Insurance Business may be progressively eliminated, with a view to avoid disproportionate charges levied in the form of commissions, etc., by these middlemen, and thereby render the Insurance Service more cheap and plentiful, than is possible under the present conditions.

33. The Postal Insurance Business, at the present time, covers the following main heads:*

34. The funds collected by Postal Authorities under this system of Insurance amount to Rs. .... and their investments are regulated as.......................**

* See ante. p. 40-50—Editor.

* The apparent repetition in some of these paragraphs is due to the same points having been discussed from different angles, or by different bodies.

SUMMARY OF DEVELOPMENTS

Since this Sub-Committee reported, there has been a very considerable growth in the volume and variety of Insurance business in India. The Act of 1938, which in many respects codified and modernised the law relating to Insurance in this country, made some note-worthy changes in the regulation and organisation of the business. These, though not comprehensive so as to include all forms of Insurance now being carried on in modern industrialised countries, nevertheless, make a considerable step forward in that direction.

It is unnecessary to detail the changes made and the provisions included in the Act of 1938. For the purpose of this Summary, it is enough to note that the system of the Managing Agency, which is such a marked characteristic of joint stock enterprise in India of the British age, was excluded from Insurance, as it had already been from Banking business. The Managing Agent's commission has not all been saved, either for the benefit of the insured in the shape of reduction in premia, or for the improvement of the insurance workers. For those interested have devised a variety of new methods of adding to their own salaries which previously were covered by commission on the volume of business written and other ways of cornering the cream for themselves, which may well be said to defeat the central purpose of the Legislation. Limitation of Agents' commission has similarly been defeated by a variety of devices and subterfuges which makes further amendment unavoidable.

Existing Law on Insurance

Another change in the law was important from a purely nationalistic point of view. It was with reference to the requirement of investment of Insurance Companies' funds in the Government of India Securities. A minimum was prescribed for such investment as a condition precedent of registration and kept in India; while a percentage of the total funds to be so invested was also laid down by law. This helped the Indian Companies in their competition with the Non-Indian, —mainly British,—Companies doing business in India. There were a number of other similar handicaps imposed upon Indian Companies in the insurance world by British Banks in India which have also been gradually modified. All this has eased the competition between the Non-Indian and Indian

Companies operating in the same field, and secured an ever-growing proportion of India's insurance business for indigenous enterprise, which, however, does not yet cover the whole field. Non-Indian Companies still have a considerable slice of business, perhaps more profitable in the aggregate than Indian Companies, as the Tables attached below show.

Volume and Variety of Insurance Business

The sub-joined Table shows the growth of Insurance business in India beginning with 1930 up to 1945.

Table I.

The following table shows the New Sums Insured by Indian Life Offices, the Average Sum Insured Per Policy and the Total Sum Insured in force at the end of the year:—

New Sums Insured.		Total Sums Insured in Force.	
Year.	Sums insured (in crores)	Average sum insured per policy.	Sum insured including bonus additions (in crores)
	Rs.	Rs.	Rs.
1930	16.50	1,518	88.66
1931	17.76	1,786	98.02
1932	19.66	1,697	105.02
1933	24.83	1,573	118.77
1934	28.92	1,547	136.65
1935	32.81	1,565	151.63
1936	37.80	1,532	174.67
1937	41.74	1,520	196.74
1938	46.68	1,498	218.86
1939	45.96	1,511	232.42
1940	35.23	1,685	243.91
1941	36.68	1,841	256.43
1942	37.89	2,193	266.60
1943	65.24	2,258	310.95
1944	95.20	2,206	366.15
1945	122.78	2,128	459.43

Notwithstanding this growth, the Insurance industry is still in its infancy in all its forms. Only one out of every 153 persons in India makes life insurance provision for his family, and the protection amounts to Rs. 13 for each person as against Rs. 2,362 in Canada, or Rs. 3,375 in the U.S.A. Even allowing for the difference in income per capita, this seems a very poor

protection. So long as protection is to be provided for himself by each individual, the Indian will remain at a marked disadvantage. On November 30, 1947, there were 236 registered insurers in India, 9 in Pakistan and 101 outside both Dominions. The net amount of Life Insurance effected in India and in force at end of 1946 was for 25,69,000 policies. The total sum insured was Rs. 514.50 crores. Taking both the Dominions together, there were 27,97,000 policies in force at the end of 1946 assuring a total sum of Rs. 615.35 crores, yielding an aggregate Premium income of Rs. 31.24 crores.

There sems to be a slight recession according to the latest Report as compared with the preceding year. Apart from this, however, there is a steady increase in the principal lines of business carried on by Indian Companies, which seem nevertheless still to be rather diffident about venturing into newer fields of more and more original and beneficial character.

Of the total business, Life Insurance still forms a very considerable section as shown by the Table II on page 124.

Full particulars of the last three years up to 1945 are given in Table IA on page 123.

Annuity Business is part of the Life Insurance System which reaches very considerable dimensions as shown by Table III on page 125.

The analysis of income and expenditure of the Insurance Companies, specially those in the field of Life Insurance, as given in Table IV, on page 126 illustrates one of the moot points of controversy and discussion at the present moment in the reform of Insurance Legislation.

TABLE IA

Insurance in India.

(Figures taken from the Government of India Insurance Year Book.)

Total Number of Companies	314		323		330	
Total Number of Indian Companies (Mostly Life) ..	220	Up to Dec. 31st 1943	228	Up to Sept. 30th 1944	234	Up to Sept. 30th 1945
Total Number of non-Indian Companies (Mostly non-Life)	94		95		96	
Average Value of new Life Policy issued by Indian Companies during year ..	Rs. 2,158	(Figures for 1942)	Rs. 2,227	(Figures for 1943)	Rs. 2,206	(Figures for 1944)
Average Value of new Life Policy issued by non-Indian Companies during year ..	Rs. 6,788		Rs. 6,749		Rs. 5,874	

TABLE II

Life Business

	New Business				*Total Business in Force*			
	1942	1943	1944	1945	1942	1943	1944	1945
Number of Policies Issued	178,000	296,000	451,000	5,99,000	1,661,000	1,821,000	2,127,000	2,592,000
Number of Policies with Indian Companies ..	169,000	183,000	432,000	5,77,000	1,464,000	1,628,000	1,940,000	2,376,000
Number of Policies with non-Indian Companies	9,000	13,000	19,000	22,000	197,000	187,000	197,000	216,000
	crores Rs.	crores Rs.	crores Rs.	crores Rs.	crores Rs.	crores Rs.	crores Rs.	crores Rs.
Sums Assured (including Reversionary Bonus additions) ..	42.83	72.12	106.2	135.38	322.94	368.73	443.13	551.28
Sums Assured with Indian Companies ..	36.47	62.94	95.2	122.78	250.68	294.08	366.15	459.43
Sums Assured with non-Indian Companies ..	6.36	9.18	11.0	12.60	72.26	74.65	76.98	91.85
Premium Income ..	2.22	3.97	5.74	7.47	16.06	19.07	22.43	28.04
Premium Income of Indian Companies ..	1.91	3.48	5.12	6.73	12.07	14.84	18.10	22.81
Premium Income of non-Indian Companies ..	.31	.49	.62	.74	3.99	4.23	4.33	5.23

TABLE III

Annuity Business

	1941 Rs. per annum	1942 Rs. per annum	1943 Rs. per annum	1944 Rs. per annum
Total Annuity business in Force at the end of year	30,59,000	37,04,000	37,84,000	42,65,000
Amount payable by Indian Companies ..	15.06,000	17,83,000	18,33,000	21,84,000
Amount payable by non-Indian Companies	15,53,000	19,21,000	19,51,000	20,81,000
Total New Annuity Business in year ..	6,81,000	4,55,000	5,55,000	9,46,000
Share of Indian Companies	1,00,000	1,08,000	1,65,000	4,09,000
Share of non-Indian Companies ..	5,81,000	3,47.000	3,90,000	5,37,000

Non-Life Business

	1941 Rs.	1942 Rs.	1943 Rs.	1944 Rs.
Total Net Premium Income	4.16 Crores	7.38 Crores	7.63 Crores	7.39 Crores
Total Net Premium Income of Indian Companies	1.51 ,,	2.06 ,,	2.89 ,,	3.22 ,,
Total Net Premium Income of non-Indian Companies	2.65 ,,	5.32 ,,	4.74 ,,	4.17 ,,
Total Fire Premium Income	1.93 ,,	2.47 ,,	3.46 ,,	3.45 ,,
Total Marine Income	1.29 ,,	3.87 ,,	2.80 ,,	2.47 ,,
Total Miscellaneous Premium Income ..	.94 ,,	1.04 ,,	1.37 ,,	1.47 ,,

TABLE IV

The total income of Indian and Non-Indian Insurers during the year 1944-46 in respect of their insurance business was made up of:—

(In Lakhs of Rupees)

Particulars of Income	Indian Insurers 1944	Non-Indian Insurers 1944	Indian Insurers 1945	Non-Indian Insurers. 1945	Indian Insurers. 1946	Non-Indian Insurers. 1946
Premium	19,31	4,59	24,11	5,27	27,44	5,65
Interest, Dividend & Rents	3,20	1,13	3,45	1,18	3,43	1,24
Other Receipts	48	41	82	1,13	1,15	87
Total:—	22,99	6,13	28,38	7,58	32,02	7,76

The total outgo of these insurers during the year in respect of the Life Insurance business was made of:—

Particulars of Outgo	Indian Insurers 1944	Non-Indian Insurers 1944	Indian Insurers 1945	Non-Indian Insurers 1945	Indian Insurers 1946	Non-Indian Insurers 1946
Claims by death	2,67	88	3,04	1,01	3,14	88
Claims by Maturity	3,41	1,65	3,67	1,82	3,62	2,03
Annuities	8	11	8	11	0,10	0,13
Surrender value	62	47	49	50	0,42	0,54
Expenses of Management	6,03	85	7,77	1,02	8,56	1,14
Depreciation & Transfer to Investments, Reserve, etc.	16	4	29	18	0,20	0,22
Miscellaneous	7	37	8	82	0,07	0,89
Transfer to Shareholders Reserves and Dividends	4	5	4	2	0,06	0,04
Total:—	13,08	4,42	15,46	5,48	16,17	5.88

Place of Insurance in National Economy

Insurance even today is not looked upon in India as a Public Utility Service, which should extend to and embrace all forms of risks to which an individual's life, business, property etc. may be exposed; and which may, therefore, be owned and conducted, very closely regulated and minutely controlled by Government in the public interest. The life and limb of individuals, their daily work, health and happiness are involved. And as the business is possible by distributing hazards over large numbers, the larger the number insured, the less ought to be the cost. This can only be attained if the business in all its forms is made a collective enterprise, eliminating completely the element of private profit which now goes to the private owner and share-holder, his agent and manager.

Unfortunately, however, Insurance is not as wide-spread in number and varied in character as might be desired. Whether because of the poverty of the people or their ignorance as to the value of Insurance, or whether because of the lack of enterprise among those in charge of the business, the system has not developed as it should have. The country has slowly industrialised but Insurance has not progressed in proportion. It is still mainly town-bred, and confined to the commercialised portion of the community, perhaps because both the providers of the business and its conductors are essentially imitators, not original. That is why the desirability of making insurance compulsory in certain essential items. There is, finally, no scheme of a national system of health insurance for every citizen, nor of unemployment due to seasonal or technological fluctuations in industrial activity; much less any provision on a national scale against those calamities of nature like earthquake or volcanic eruptions. There is, for instance, no systematic insurance against Famine, — sheer starvation, — which is one of the greatest risks to which the country is so frequently exposed. The so-called Famine Insurance Fund of the Government of India is insurance not even in name. In regard, again, to a normal season's risks, there is hardly any Insurance for crops against loss or damage through pests, vermin, weed and so on. Cattle insurance is unknown as also the yield of milk from cattle, — or very little practised. In fact, the entire system of Agricultural Insurance is still conspicuous by its absence or extremely limited scope. In a note to this volume, some discussion and suggestions are given regarding the possibility of developing a nation-wide scheme of insurance for crops and cattle against all kinds of risks, and still more against any widespread chance of famine, and its consequent calamities in the shape of epidemics. In-

surance against floods and prevention of soil erosion has only very recently attracted official notice; and a beginning is made by some large projects of multi-purpose river-training initiated by the first National Government.

Even aspects in the development of our nation's life other than agriculture, so far as the individual is concerned, such forms of insurance as the workmen's compensation or maternity are in an embryonic stage. They apply, if at all, to a very small fraction of the total population, namely that engaged in large-scale industry which is itself a small proportion; and of that a very limited proportion is covered by the latest proposals for Insurance.

The Constituent Assembly (Legislative) of India passed, during the Budget Sessions of 1948, an Act to provide Insurance for Industrial Employees, which will be operated by a public Statutory Corporation on behalf of the State. It is a scheme of contributory sickness insurance for workers, which makes a beginning in regard to social security for workers, but does not tackle the whole question, including the problem, already of increasing dimensions, of their employment.

The latest legislation provides sickness, maternity and accident benefits for women employed in factories. The scheme will be administered by a corporation to be known as the Employees' State Insurance Corporation with the Labour Minister of the Central Government as Chairman, and the Health Minister of the Central Government as Vice-Chairman. The Corporation will have equal representatives of workers and employers on it, as well as on its executive authority. It will, in the first instance, apply to all employees in factories; but the appropriate Government may extend the benefit of the scheme to other establishments, — industrial, commercial, agricultural or otherwise. Employees getting an average daily wage of Rs. 1 or below are exempted from payment of contribution to the Insurance Fund. All those above this minimum will contribute at rates prescribed; and so the scheme will in essence and effect be a contributory arrangement which will enable the workers to claim the benefits under the Act as a matter of right and not a gift of charity.

Compensation for injury—The exemption clause in the relevant chapter provides for the application of one or more parts of the scheme — such as, for instance, compensation for employment injury in seasonal factories, as also to other categories of workers, whether working in seasonal factories or in other establishments.

Such contributions would be paid for a period of six months. In return for such contributions, the worker would be entitled to benefits in a subsequent period of six months. Further, they would be payable not only in respect of weeks during which the employee rendered service and received wages but also in respect of weeks during which he was on authorised leave, or was unabel to work because of a lockout or legal strike; provided that workers with monthly income of Rs. 260 and below would all receive approximately seven-twelfths of their monthly earnings by way of sickness or disablement benefit.

Insured Worker's Medical Care. In regard to medical care and attendance to families of insured persons, if a Provincial Government was in a position to provide for medical care and treatment not only for the insured worker, but also for his family; and if the Corporation be in a position to bear the extra expenditure, then the benefit would be extended to the family of the insured person. The maximum period for which sickness benefit was payable is prescribed by the Act.

Though the principal contributions would come from the workers and the employers, the Provincial Governments are expected to contribute about a third of the cost of providing medical care and treatment; and most of them had agreed to do so.

Proposals on Post-war Developments

An outstanding development in regard to Insurance in the years that followed the presentation of the Sub-Committee's Report, was the appointment of an Insurance Committee as part of the post-war plan in that behalf. A Sub-Committee of that body was constituted "to consider all problems relating to post-war India". This seemed too wide a reference to be tackled by the Sub-Committee, which, therefore, confined itself only to voluntary Insurance which is provided usually by commercial Corporations; and did not venture into other fields where some form of compulsion is necessary and the State takes a more direct hand in providing such Insurance.

Limitations of Planning Insurance

The Sub-Committee began by noting;—

There is a fundamental difference between the development of the business of insurance in post-war India, and that of Industrial activities mainly concerned with the production of material goods. In the case of industrial activities post-war development may take the shape of establishment of new in-

dustries either to overcome the great handicap owing to their lack which the demands of war have revealed, or because of the discovery, under the stress of war, of raw materials particularly suited to the starting of certain new industries. In the case of existing industries the development may take the form of rationalization leading to economy which the large-scale and accelerated production under the tempo of war might have engendered. Neither of these conditions exists in the case of insurance and any planning for this industry will have to take into account this limitation.

On this background it considered such problems as the publicity necessary for a full measure of Insurance to the public, better service for policy holders, specialised education and training for the personnel engaged in this service, adequate library and research on the subject including the laws regarding Insurance in other countries. India is particularly deficient in regard to statistics of births and deaths, and proper record of the causes of mortality. The Sub-Committee therefore, strongly recommended proper investigation on a medico-acturial basis on the lines adopted in the United States a few years ago.

Limitation of Expenses

Another similar problem in the working of Insurance in this country which has attracted public attention in the last 8 or 10 years is in regard to the limitation of expenditure by Insurance concerns. The ratio of expenses to premium income, as shown in table given earlier, is disproportionately high. As the Sub-Committee note: "We cannot help observing that the expense ratio of most insurers operating in India is higher than any other country, and higher than it need be even taking into account the conditions in India". The explanation lies in the disproportionately high commissions allowed to a multiplicity of Agents for procuring business. But those concerned with the solidity of the business are agreed that some limitation ought to be placed upon such expenditure by Legislation since voluntary effort has not succeeded. This is the more important as, after the advent of the National Government, business of Indian insurers is growing; and unless expenses are kept low, it is possible that the success of the entire business may be prejudiced. The premium rates are calculated and determined by mortality statistics, interest rates, and expense ratio. Of these, as already observed, mortality figures are very scanty, interest rate is falling, and expense ratio comparatively high. The first two are not remediable by the efforts of the Companies concerned; but the last

is within their power. And if the Companies are unable to keep expense within proper limits, it may well be controlled by Legislation, as was done by the State of New York as long ago as 1906. The Sub-Committee, accordingly, recommended:—(a) further limitation of Agents' Commission, (b) limitation of Chief Agents' commission, (c) limitation of the number of intermediaries, and (d) limitation of over-all expenditure.

Transfers of Insurance Business

A good deal of heart-searching is devoted to the danger caused to the entire business by the recent manœuvres of private concerns amalgamating or transferring their assets to new-comers in the field, charging exorbitantly high rates for shares. The manipulation also of the Companies' funds, at least in the shape of that portion (45%) which is not required to be invested in Government Securities, plus the share capital itself and the reserves, in investments open to the discretion of the Companies' Managers, has given rise to considerable abuses. These can not be curtailed except by legislation. Several instances have happened in recent years exposing this evil in its true colours; and, as such, the Sub-Committee was obliged to make definite recommendations on the capital structure and voting rights of share-holders, transfer of business to new managers, limitation of dividends, qualifications of Directors, training and education of the personnel engaged in the services, etc.

Valuation

A cognate problem of Insurance working is in regard to the valuation of assests and liabilities of the concern. The Sub-Committee carefully considered the question as to what proportion of the profits disclosed by the periodical valuation should belong to the share-holders as profits, and what should go to the policy-holders who have a much greater stake in the Company than the share-holders.

Taxation

A section of the Report deals with Taxation. Under the present law the Insurance Companies pay taxes on their interest income less restricted expenses, or a total surplus disclosed less 50% of the amounts distributed to policy-holders, whichever is greater. This is different from the policy in this regard prevailing in the United Kingdom, where in restricted expenses instead of actual expenses are taken into account for the purpose of "interest less expenses" basis; and under the "surplus" basis only 50% of the amounts distributed to

the policy-holders is allowed as taken from the disclosed surplus instead of the full amount. As the interest income is essential for the insurer to fulfil his obligation, relief in taxation would benefit the policy-holder. The rebate on the premium paid by an insured party up to Rs. 6,000 per annum from his total taxable income is recommended to be raised to Rs. 10,000.

RE-INSURANCE CORPORATION

Yet another important question dealt with by the Sub-Committee is in regard to a Reinsurance Corporation run by the State. The main grounds on which it is recommended are:—

i. That the existing reinsurance facilities for Indian Companies are inadequate.

ii. That a Reinsurance Corporation will obtain for Indian Insurance Companies reciprocation in respect of the large premium ceded by them at present to foreign insurance companies which deny this privilege to them.

iii. That the need for the establishment of a Reinsurance Corporation is urgent in view of the fear that foreign insurers established in India may bring pressure on reinsurers abroad to limit reinsurance facilities to Indian companies with the object of restricting their ability to exchange business freely, whilst at the same time fully conserving their own underwriting facilities.

iv. That, further, a Reinsurance Corporation will serve to ensure supply of reinsurance facilities in the matter of Crop insurance, Cattle insurance and Credit insurance.

Reinsurance facilities available to an insurer fall into the following categories:—

(a) Treaties with local companies.

(b) Treaties abroad.

(c) Facultative Reinsurances.

(d) Special covers placed locally or abroad.

The Sub-Committee present their case in setting up such a Statutory Corporation in the following terms:—

"Reinsurance facilities in a country determine to a large extent the prospects and possibilities of developing general insurance business. We therefore con-

sidered the question whether the existing reinsurance facilities for Indian Companies are adequate keeping particularly in view that, in the post-war world rapid growth and development of Indian general insurance companies is indispensable. We came to the conclusion that they are not; and in fact it would not be too much to say that one of the main causes for the tardy development of general insurance business in this country is the absence of adequate facilities for reinsurance arrangements for Indian companies. Various suggestions to remedy this have been put forward before us. One suggestion is the setting up in this country of an Indian Reinsurance Corporation, either State-controlled, or as a private enterprise actively supported by Indian general insurance companies and fully supported by the Government. A plea has also been made in this connection that the amount at the credit of the War Risk Insurance Fund which has been built from the contributions of the mercantile community in this country, and which rightfully belongs to them, should be utilised for the purpose of forming the nucleus of a fund for starting a reinsurance coproration. The establishment of such a reinsurance corporation will doubtless facilitate the placing of their excess reinsurance by the Indian companies; while at the same time it will obtain for them reciprocation in respect of the large premium ceded by them at present to foreign insurance companies which deny this privilege to Indian companies.

The need for such a corporation is urgent in view of the fear that foreign insurers established in India may bring pressure to bear upon reinsurers abroad to limit reinsurance facilities to Indian companies with the object of restricting their ability to accept business freely whilst at the same time fully conserving their own underwriting facilities. While it is not at this stage suggested by us that any such reinsurance corporation should cut across the normal channel of existing reinsurance facilities available to Indian companies both inside and outside the country, there is a case made out in favour of starting such a Reinsurance Corporation to help those Indian Companies which find it extremely difficult to place their excess reinsurance after exhausting their normal reinsurance facilities as well as to help those Indian companies which are unable to obtain reinsurance facilities at all, either with or without reciprocation. An additional advantage of such a reinsurance corporation would be that it would reciprocate an equal amount of premium to its constituents.

There is yet another important consideration in favour of starting such a reinsurance corporation. We have recom-

mended in another section of the report that Indian insurers should commence transacting new classes of insurance such as Crop Insurance, Cattle Insurance and Credit Insurance. It will be very difficult for them to get reinsurance facilities for these classes and the establishment of a reinsurance corporation would solve this difficulty.

We are, however, aware that the subject is not without difficulties, technical and otherwise. We therefore, suggest that before any final decision and steps are taken to form such a reinsurance corporation, the Government should appoint a Committee consisting of representatives of Indian general insurance companies to study the problem in all its aspects and make detailed recommendations in this regard."

Abuses in Insurance Business

Notwithstanding this recommendation of the Sub-Committee for a National Reinsurance Corporation intended to place the reinsurance business on account of the Indian Insurance Market on better terms than the well-managed individual Companies themselves can secure, the Indian Insurance Companies' Association has declared itself in a long memorandum to be against the proposal. The Association argue that no clear case for starting such a Corporation had been made out, and it would not be of any tangible assistance to the indigenous insurance market. It was not also sure that such a Corporation would achieve the reduction in respect of the country's demand on foreign exchange resources, and held the view that the international character of insurance must be maintained for the wider distribution of risks all over the world and a better security for the insured. The driving impulse for proposing this new institution was the dread of the influence of foreign insurers operating in India. But since August 15, 1947, that reason is no longer effective. In fact that influence is rapidly declining, and actually the Foreign Fire Officers Committee, exercising control from London has decided to withdraw its powers of supervision. No Indian Insurance Company, morever, working on sound lines finds any difficulty in getting all the reinsurance facilities it desires, and it is in the best tradition of Insurance business to have a balanced portfolio within the limits of the retention capacity. This would, of course, make inevitable the policy of restricted exchange of business between local concerns, while the scope for securing reinsurance through overseas treaties was unlimited, subject, of course, to handicaps in regard to exceptional risks. Opinions may differ if the reinsurance terms now available to Indian Companies were reasonable; but there

can be no doubt that lack of Reinsurance facilities within the country has not prejudiced the growth of Indian insurance business. With the progress of the Insurance business as a whole in India, the local reinsurance market would also improve; and so the terms available from foreign-international concerns would also become more reasonable.

In point of detail, again, the Association has urged that the ratio of Reinsurance cost is not very high. For instance, the reinsurance premium of Rs. one crore covering a total business of about Rs. 500 crores might involve a net outgo of about Rs. 5 lakhs which was worth being allowed as a safety valve to cover cases of a catastrophe. It is also contended that reciprocal arrangements are also fairly satisfactory and adequate reciprocity for the Indian reinsurance treaties placed abroad is only a matter of time.

DISCLOSURE OF SHAREHOLDER'S INTEREST LINES OF INSURANCE LAW AMENDMENT

A decade's experience of the working of the existing Insurance law, and the practice developed thereunder has revealed several direction in which amendment of the Act of 1938 is urgently needed. The Committee has suggested amendment of law relating to Insurance as given below:—

(a) Every shareholder of an insurance company carrying on life insurance business shall make a declaration to the company which shall keep a proper record of it, disclosing what interest, direct or indirect, he has in the shares standing in his name and in the shares standing in the name of others in the share register.

(b) Whenever an application for registration of a transfer of shares of such a company is made, the transferee shall furnish a declaration in writing to the company whether he proposes to hold the shares for his own benefit or as a nominee jointly or severally on behalf of others and in the latter case who the beneficial owners are.

(c) If on presentation of an instrument for the transfer of a share of a block of shares, the directors find that the transferees' total paid-up holding after the transfer is likely to be 10% or more of the paid-up capital of that company the directors shall not transfer such share or shares without the previous sanction of the Central Government. In the case of a bank or an investment company holding shares on its own account the percentage shall be 5%. For this purpose, the total holding of any person should include the holdings in the

names of others which are held either partly or wholly for his beneficial interest.

II CHANGES IN THE DIRECTORATE.

Every change in the Board of Directors of an insurance company carrying on life business occurring by reason of resignation, death or appointment of a new director shall be published in two newspapers (one English and one Vernacular) in the province in which company is registered.

III. CAPITAL STRUCTURE AND VOTING RIGHTS.

(a) Any company on life insurance business should have only one class of shares namely ordinary shares. The face value and the called-up amount should be the same for all its issued shares.

(b) In the case of insurance companies doing life business the voting rights of shareholders should be proportionate to the paid-up amount on shares as in the case of banks.

(c) An insurance company doing life business having disproportionate voting rights for different classes of shares should, within a period of one year from the commencement of the Act, make the voting rights of its shareholders strictly proportionate to the paid-up amount of the share held by them.

IV. RESTRICTIONS ON INVESTMENTS

(1) 55% of the liabilities of a company doing life insurance business to life policy holders have to be invested in Government or approved securities. It should be definitely provided that the securities relating to the investment of 55% should not be encumbered in any way whatsoever, including a banker's lien. If such securities are in the custody of a bank, the insurer should submit a certificate from the bank that the securities are held free from the bank's encumbrance, including a banker's lien. If the securities are in the custody of the Directors, the Directors should submit a certificate that such securities are free from encumbrance. Such certificates should be submitted to Government with the returns prescribed under Section 28 of the Insurance Act.

(2) An insurance company doing life business should not invest out of the remaining 45% of its funds in any securities other than the following:—

(a) (i) approved securities;

(ii) securities of or guaranteed as to principal and interest by the Government of the U. K. or of any dominion, colony or dependency thereof.

(b) (i) debentures of any company or corporation secured by a charge on the real estate or plant or equipment, provided interest has been paid in full regularly for at least 5 years immediately preceding upon these securities or upon securities of a similar type issued by the company and still outstanding;

(ii) debentures of any company or corporation which has paid regularly dividends on its ordinary shares for 5 years immediately preceding;

(iii) preference shares of any company which has paid dividends on its ordinary shares for not less than 5 years immediately preceding;

(iv) shares of any company which are guaranteed by another company which has paid regularly dividends upon its ordinary shares for at least 5 years immediately preceding, *provided* the amount of shares so guaranteed is not in excess of 50% of the amount of preference or ordinary shares of the guaranteeing company;

(v) shares of any company or corporation upon which regular dividends of at least 4% including bonus have been paid for 7 years immediately preceding *provided* that no insurer shall invest his life insurance funds in the shares of another insurer being a company which carries on life insurance business;

(c) first mortgages on immovable property in British India or elsewhere where the insurer is carrying on business provided the mortgage does not exceed 50% of the value of the property;

(d) real property for the use of the insurer.

Provided that notwithstanding the restrictions contained in the foregoing sub-clause (b) a company doing life insurance business may invest out of the remaining 45% at its own discretion if such an investment is made with the unanimous consent of all the directors present in India whether on leave or not:

Provided further that whenever any such investment is made with the unanimous consent of all directors it shall be reported immediately to the Central Government.

(3) (i) A company doing life insurance business shall not invest out of the remaining 45% in the shares of

any one banking company or investment company more than 2% of such funds, or 2% of the subscribed share capital of the banking company or investment company concerned, whichever is lower. Provided that if the investment is in partly paid shares, the amount invested together with the uncalled liability on such shares shall not exceed 2% of such funds.

Provided that when new shares are issued to the existing shareholders by a joint stock company and the insurance company is already a share-holder it may subscribe to them although the limits prescribed above may be exceeded.

(ii) Such a company will not have more than 2% of such funds in current deposit or in fixed deposit with a banking company. In no case shall a fixed deposit be for a period longer than one year.

(4) A life insurance company shall not invest out of the remaining 45% in shares or debentures of any one joint stock company other than a banking company or investment company more than 5% of such funds, or 10% of the subscribed share capital and debentures of the joint stock company whichever is lower, provided that this shall not apply where investment is made with a view to forming a subsidiary life insurance company with the previous consent of Government. Provided also that if investment is also partly paid shares, the amount invested together with the uncalled liability on such shares shall not exceed 5% of such funds.

Provided that when new shares are issued to the existing shareholders by a joint stock company and the insurance company is already a shareholder it may subscribe to them although the limits prescribed above may be exceeded.

(5) A company doing life insurance business may grant loans on policies of life insurance issued by it and may grant advance to agents for their work as agents.

(6) A company doing life insurance business shall be prohibited from making advances or loans secured or unsecured for any purpose other than those provided for in (2) (c) and (5) above.

(7) Existing investments exceeding the limits prescribed in the above sub-clause should be liquidated by

the Company within one year from the commencement of the Act, provided that the Central Government may sanction, for such period as they deem fit, the continuance of these investments if in their opinion such investments are in the interests of the policy-holders.

V. RETURNS

(a) Every company doing life insurance business, shall, in addition to the returns made under section 28 of the Indian Insurance Act, furnish a statement of full particulars of each and every investment with full details as to the number, amount, purchase price etc. including the uncalled amount on any shares. Any changes made in the investment during the calendar month should be reported to the Superintendent of Insurance immediately after the end of that month. Forms may be prescribed by the Government for both quarterly and monthly statements.

(b) The Superintendent of Insurance should have the power to call for any information relating to the investments of the life fund of an insurer at any time and the insurer should comply within a reasonable time.

(c) The Superintendent of Insurance should have power to publish the information so obtained in a consolidated form in the Indian Insurance Year Book.

VI. DIRECTORS AND OFFICERS

(a) No two companies doing life insurance business should have a common director, provided this provision shall not apply to the subsidiary company of a company doing life insurance business.

(b) No company doing life insurance business should have less than two policy-holder directors.

(c) A Managing Director or a whole time officer or a part-time officer of an insurance company carrying on life insurance business should not be also a Manging Director or a whole time officer or a part time officer of another life insurance company or of a bank or of an investment company, provided this provision shall not apply to the subsidiary company of a company doing life insurance business.

(d) The provision in sub-clause (c) should not apply to an actuary in the employ of an insurer giving professional advice to other insurers.

(e) If a life insurance company has a life fund of more than 25 lakhs of rupees or a composite insurance company has insurance funds totalling more than 50 lakhs of rupees, the manager, managing director or any other officer of such a company should be a whole time officer.

(f) No one connected with an insurer either as an employee or in any managerial or advisory capacity should be remunerated by way of commission except insurance agents and chief agents.

(g) If the Central Government are satisfied that any person is receiving from an insurer remuneration on a scale disproportionate according to the normal standards prevailing in insurance business to the resources of the insurer, they may call upon the insurer to conform within six months to such direction as they may think fit to issue in the matter.

If the directions issued by the Central Government alter any of the terms of the contract entered into by such a person with the insurer, the former should be given the option of accepting the altered terms or resignation. He should be debarred from making any claim for relief against the insurer on the ground of breach of contract.

VII. INSPECTION.

There should be a provision on the following lines:—

(1) Without prejudice to the provisions contained in Section 33 of the Indian Insurance Act, 1938, (Act IV of 1938), the Central Government may, if it is of the opinion—

(a) that the interests of the policy-holders of an insurance company doing life business are prejudiced owing to a change made at any time since January 1, 1942.

i. in the ownership of the shares of the company, or

ii. in the appointment of the Managing Director, Manager, or any other Principal Officer of the company relinquishing office otherwise than by normal retirement, incapacity due to illness, or death, or (b) that it is otherwise necessary in the interest of policy holders, direct an inspection of the insurance company its books and accounts to be made by the Superintendent

of Insurance and report thereon to be submitted to the Central Government.

(2) On receipt of the report under sub-section (1) the Central Government may, if it is satisfied that the affairs of the insurance company are being conducted to the detriment of the interests of the policy-holders of the company, appoint a Director of its own choice to the Board of Directors of the Insurance Company for a period not exceeding five years which period may be extended at its discretion to a further period of five years.

Provided that the Central Government may cancel or modify any order passed under this sub-section upon such terms and conditions as it may think fit to impose.

VIII. NON-INSURANCE BUSINESS.

An insurer should not carry on any business other than insurance business, provided that the investment of his funds shall not be construed as carrying on business other than insurance Business.

Provided further that a company doing life insurance business may have another company doing life insurance business or a provident society as a subsidiary company.

Provided furthermore, that a company may do all such other things as are incidental to the business of the company.

IX. OTHER RECOMMENDATIONS

Date of Balance Sheet.

The Balance Sheet of a bank shall be as at the same date as that of an insurance company.

These suggestions for amendment of the law and reform of the practice grown up thereunder have yet to be adopted by Government. A Bill for the purpose introduced in the Central Legislature in 1945 has been withdrawn, as also other private and *ad hoc* proposals for change, on the assurance of Government that consolidated proposals for the purpose will soon be introduced.

PARTITION AND ITS CONSEQUENCES .

Having considered the actual proposals made by the Cowasji Jehangir Committee, in regard to changes in the law, mention may be made of the serious consequences entailed upon this country by Partition.

Amongst the most difficult and complicated problems concerning the Insurance business in India is the relation between the insurance concerns working in the Indian Union and the Dominion of Pakistan. Following upon the partition of what was before August 15, 1947, a single country, with uniform law and practice governing Insurance, the question of adjusting the assets and liabilities of insurance companies in the two Dominions has assumed grave dimensions. Several companies working in one Dominion have migrated to the other and vice versa, resulting in innumerable complications. Companies operating in India urge the Government of India to secure the extension of the stand-still agreement made on the eve of Partition between India and Pakistan, and effective till the end of 1948, since it is difficult to formulate a line of action in view of the longdrawn out process of evacuation of millions of people from one Dominion to another, and resettling them in their new abode.

In view of the small area of Pakistan, the provision requiring deposits on the basis of 50 percent of those laid down in Section 7 of the Insurance Act is considered irksome. An alternative suggestion requires only a 25 percent level for the Pakistan concerns. Similarly, it is feared that the requirements in respect of investment in Pakistan securities will cause financial losses to a large majority of Indian insurers, who will have to sell a portion of their holdings in Government of India securities.

While advocating that Indian insurers in Pakistan and Pakistan insurers in India should be put on par in this respect with insurers incorporated in the United Kindom and doing business in this country, a section of Indian insurers is inclined to think that it may not be profitable to undertake business in Pakistan under the proposed restrictions.

Another consequence of Partition, and its aftermath of widespread and forced migration of millions upon millions on either side of the border, leaving most of their household goods behind to the tender mercies of the other community, is the anticipated decline in Insurance business. Partition and its sequelae of murder and loot on an unprecedented scale are not the sole cause for the apprehended decline in Insurance. The rising tide of insecurity in the world, and the distant thunder of war-drums may equally well be considered to be responsible. In India, however, the principal cause of insecurity, suspense, and consequent unwillingness or inability to insure, must be deemed to be this sudden, stupendous development in the political firmament, which was thought to be a

meteor, but has stayed to be a perpetual Rahu eclipsing for ever (?) the normal tenour of life and work in either Dominion. The problem will, however, have to be solved if the entire economic machinery, particularly in trade and finance in either country is not to be dislocated, and incalculable harm inflicted on the people at large.

NATIONALISATION OF LIFE INSURANCE.

Among the most widely discussed problems of India's postwar economy is the question of Nationalisation, not only of the principal means of production,—i.e. Industry and Agriculture,—but also of all Utilities and Services, like lighting, drainage and water-supply; education and health; transport, banking and insurance. The declaration of policy of Government on April 7, 1948, was primarily concerned with industries; but did not concern itself with those indispensable aids or adjuncts to planned industry which are no less important and integral in the aggregate public economy of a country.

For the Industries, apart from those relating to the manufacture of arms and ammunition, production and use of Atomic energy, and railways, which are reserved exclusively for the Central Government to own, control and manage, private enterprise has secured a charter of exploitation for ten years in practically every other branch of new production, or industrial development. The list of industries, classed as Defence Industries, is substantially curtailed as compared to the corresponding category recommended by the National Planning Committee; while the suggestion of that body in regard to utilities and services is practically ignored. In the items now reserved for the State to develop, there is, of course, no profit; nor any hope of export to neighbouring countries which, if at all, may offer some hope of such profit; especially if the United Nations Organisation at all becomes effective, and its Charter operates as intended by its authors.

In a limited list of vital industries, like coal-mining and other forms of power production, the State has reserved to itself, under this Declaration the right of exclusive enterprise, so far as *new undertakings* in that field are concerned. But these would naturally be the leavings of private enterprise, which is already in possession of the most advantageous items. They are bound to be a losing concern for the State, if it starts any new enterprise in the commercial sense. And even if it acquires any existing private enterprise, the obligation to pay compensation is assured.

In projects of multi-purpose river training,—illustrated by the Damodar Valley scheme,—the Hirakud Dam on the Mahanadi River, the Kosi River plans, and others of the kind, —though the principal undertaking is by the State, private enterprise will not be absolutely excluded in the resulting potential of development.

Finally, in regard to small or cottage industries, the State would adopt an attitude of helpful guidance and co-ordination, which is expected to make the country self-sufficient in case the present shortage of imports of capital goods from abroad prevents such industries to develop actively and intensively on a large mechanised, mass-producing scale. As for agriculture, forest wealth, and animal husbandry, and similar forms of primary production, the Declaration of Policy is silent, or inclines towards private enterprise being left practically free, unless new developments take the shape of co-operative reorganisation of this source of more than half the new wealth produced every year in the country, and thereby profit motive as well as undue concentration of wealth in private hands are eliminated.

As compared to the recommendations of the National Planning Committee, the field reserved for public enterprise by this Declaration is narrow, even in key or vital industries. There is, therefore, no room in it for those Services and Utilities, in which Banking and Insurance occupy no small place. So far as Insurance is concerned, its recognition as an important item among Public Utilities, ensuring freedom from want and fear to the worker and the peasant, is extremely doubtful under the policy laid out in that Declaration. Legislation has, no doubt, recently been passed to make industrial employees' sickness and accident insurance a state enterprise, operated through a Statutory Corporation. But the more profitable branch of general insurance.—Life, Fire, Marine, Accident etc.—are still left in private hands entirely under existing legislation, the State makes but a feeble effort at regulating and supervising the individualist, profit-seeking concerns engaged in this business. Comprehensive legislation, consolidating and modernising the law relating to all forms of Insurance, has been promised. But the first year of Indian independence is passing away without this intention being realised.

Case for Nationalisation

As in the case of the other preserves of profit-seeking private enterprise, the advocates of that form of economic

organisation find their main basis in the claim to possess a monopoly,—so to say,—of knowledge, experience and understanding of the needs of Insurance business, which the State official, working on a mechanised routine, cannot command. It is, however, impossible to see the force of this contention, since those who work the business today will also be available to the State when the latter decides to take it over from private profit-seekers, and conduct it as public, collective enterprise, owned and manned entirely as a national service. The existing personnel, in so far as it is Indian and unable to seek a foreign domicile, will have no option but to co-operate, and take employment in the Public enterprise in the same branch of social service in which they claim to have acquired special experience by long training.

The fear of official management making the service rigid, mechanised, redtapist and inflexible is groundless, not only because the same personnel that now works the business will be charged with its operation under State management; but also because of the much wider field,—nation-wide and perfectly secure,—which the new orientation would provide. Recent experience of industrial and commercial enterprise by the State, under the exigencies of the War, and similar experience in more normal times of ordinary industry, service or utility in other countries, make such apprehensions no more than the unconsciously coloured outlook of those interested, and unwilling to part with their privileged position.

The example of the United Kingdom starting on a scheme of a public life Insurance service, ending in failure, is sometimes quoted to reinforce the case for private enterprise, as the sole surety for efficiency and economy. In fact, however, no fair trial was given to the British model, which lacked sufficient Agents; and was otherwise handicapped because of the presence of private enterprise in all other branches of national economy. The precedent, moreover, is not without its lesson to those who would try again the same lines recast by experience.

In the State of Mysore, it may be added, there is actually in operation a scheme of State Service in this field, which has proved eminently successful over a number of years. The world has progressed since the days the British precedent happened, and a better appreciation of the nature of this business may now well be relied upon to make a new venture on the same basis all over India a guaranteed success.

The richness and variety, it is also urged, characteristic of private enterprise, will disappear, when the monopolist

State enters the field, and makes it a dull affair of routine. This is based on a fundamental misconception, perhaps justified while the bulk of a country's public economy is founded on private initiative activated by the search for profit. When, however, the entire national economy is reoriented, and placed on a wholly socialised basis,—where private enterprise will be the exception rather than the rule,—the very need for this particular form of Insurance will disappear. For, when all the hasards or emergencies, to which life in a modern industrialised society is exposed, are provided for; when all the liabilities of the individual are taken responsibility for by the State,—e.g. provision for sickness, accident or old age, unemployment, casual or permanent; education of one's children and provision for other dependents,—there would be no need to make any provision of the kind Life Insurance now covers. As long as the present basis and motive force in public economy continue the State will be as competent as private enterprise to induce all the variety and flexibility, plus much more security, than the private provider of the business can offer.

So long, moreover, as the present structure and motive force of the social organisation continue, the State Service would be able to provide a much wider degree of publicity, and therefore succeed in making the system more popular, than is the case under private enterprise. The Agent, working for a commission is now the only means to popularise the service—which is usually offered as a commodity for sale. Naturally therefore, the field becomes limited since each Agent, and each principal, also can offer only his particular brand of the service on which he expects a—commission for himself by selling. Under State enterprise, however, the field will be much wider. The Agent will have a larger district, and all the varieties of form and conditions that the public insurer deems it necessary to provide. The entire service will be publicised and not a given variety of it. In consequence all parts and sections of the country would be developed, and not some richer or more prudent areas or people respectively as the case is today. Publicity, again, will be planned on a nationwide basis; its purveyors will be specially trained for the purpose; and its service will be much wider and more secure than can possibly be the case today, under profit-seeking private enterprise. Nor will the workers in this business,—Agents or others,—suffer so far as any legitimate gain of theirs is concerned. They will have, as stated already, a wider region to operate in, with a variety of business; and their status as public servants will be heightened by better

training, and greater public confidence, since they would be free from any suspicion of operating for private gain for themselves.

Elimination of Competition—Not a Loss

The greatest plank, however, in the platform of private enterprise, in this as in other fields, is, that, with the advent of State enterprise, and its inevitably monopolist tendency, competition will suffer; and so any incentive to progress disappear. This assumes that, under private enterprise, competition is always present; and that there is no such development as the Trust and the Syndicate monopolising a given service or commodity; and so mulcting the public for the monopolist's private benefit. Such monopolies may be all the more dangerous because they may be camouflaged. Such competition as remains under a regime of private enterprise usually takes a cut-throat character, which the competitors themselves soon perceive is ruinous. They, therefore, begin to combine amongst themselves in a variety of ways to eliminate or enfeeble competition. If they do not succeed in avoiding competition, they would not be slow to invoke the aid of the State to regulate the business, so as to ensure to themselves a minimum of internal competition, and a maximum of opportunity for private profit to themselves.

When these considerations of basic principles fail, recourse is had to possible flaws in detail working, which are alleged to argue against public enterprise. Thus, for instance, it is often urged that, even if State enterprise succeeds, it will be at the expense of the general public, which will have to pay open or concealed subsidy to make it a success. They overlook the fact that the entire basis of public economy, and its working, as conceived in this Plan, will be radically different; and so the question of manipulated success of a given branch cannot arise. The whole domain of national economy is expected to be socialised There will consequently be no need for a camouflaged success in any sector of it. Besides, even if it is operated in a partially socialised economy, it is always possible to employ strict cost accounting, so as to discover the real position; and remedy it wherever and whenever necessary.

Similarly, the apprehension that the chances of India exporting on the balance in her international trade would suffer, is equally unfounded. Not only is India today not a net exporter; her ambitions of national self-sufficiency would, if realised, will dispense with this apprehension almost entirely. Besides, the reason which made India anxious to maintain a

surplus of exports over imports,—payment of Home charges and interest on Foreign Debt,—has disappeared almost completely. India is independent, and has no occasion to meet a foreign drain; while in the Credit market, she is more a creditor than a debtor if only her dues, like the Sterling Balances, were honestly paid to her.

The real object of those who fight against the extension of State enterprise, in this as in other fields, is to preserve their own vested interest; and so they dub such suggestions as "expropriatory" in effect if not in name. To those, however, who do not believe in the sanctity of private property and its vested rights, the argument is of no avail; since to them all property is a form of theft, however sanctified by the laws of a society founded on it. Even to those who believe in the rights of property, the new Constitution of India assures a fair compensation, if suggestions like those adumbrated in this summary take effect, and Insurance business is wholly nationalised in all its forms.

The likely gain to the aggregate national wealth by the elimination of the private profiteer is underestimated; and even the security improved and strengthened so far as policy holders are concerned is seldom taken into account. The reduction, again, in expenditure, resulting from avoidance of multiplicity in agents, offices and establishments, advertising publicity etc. as also the elimination of shareholders' dividend, together with the inevitable economy of large scale operations, is ignored so also the improvement and extension in service resulting from the State taking over the responsibility. Rcognition of Insurance as a social service will be much fuller and truer under State enterprise; while the mobilisation of its funds will much better enable capital to be found for other development projects far more effectively is also overlooked.

K. T. SHAH.

APPENDIX TO SUMMARY OF DEVELOPMENTS NOTE ON AGRICULTURAL INSURANCE.

The subject of providing adequate Insurance for Agricultural risks has so far not been attended to, either by the State representing the community as a whole, or by private enterprise motivated by the search for profit, and engaged in commercial, industrial, or life insurance of the middle classes, mostly town dwellers. There are a variety of reasons why such Insurance has not been attempted on a national scale. The chief of these is the absence of reliable data, or statistical information for framing any practical scheme of real insurance against the commonest risks of agricultural life. The extremely small size of the individual holding, and consequently the very limited resources of the average cultivator in India, is also a factor, making it impossible for him to provide on his own account any systematic insurance against the commonest risks to which his life and work are exposed. He has no surplus, and can never have any saving; and so any insurance that is to be provided for him must be on lines wholly different from those attracting private enterprise.

These two factors, though impossible for the individual to overcome on his own , may yet be remedied by the State representing the entire community and working in its collective interests. The State can compel datas to be prepared, collected, compiled and digested; and so fill in one of the greatest lacunae of our economic life. The State can, likewise, reorder and reordain the tools and technique of cultivation, the size of holding, the training and equipment of the cultivator himself, and above all his organisation into co-operative association, without which the agriculturist will have neither the will nor the power to save and provide for his own safeguards. If, as recommended in the Introduction and in the Report on Land Policy, the entire system of land-holding and cultivation is reconditioned, on a cooperative if not collective basis, wherein the proprietory interest and its profit motive are excluded, or at least kept in severe restraint, the limiting factor rising out of the lack of resources to the agriculturist will be greatly modified, if not disappear altogether.

Principal Risks, Their Nature and Insurance

The kind of risks that the agriculturist has normally to guard against, and for which, therefore, a systematic National

Scheme of Insurance has to be prepared if the country's economy is to function efficiently and without unnecessary obstacles, are:—

(a) Failure of periodic rains, and so the need to provide adequate water-supply for the nourishment of the seed sown;

(b) Occurrence of flood, hailstorm, etc., and consequent damage to crops, cattle etc.

(c) Obsolete and inefficient tools, technique and equipment and so the need for their improvement, and the maintenance of an appropriate and adequate reserve;

(d) Premature senility, disease and mortality among cattle, and hence the need for the preservation of the cattle wealth and its safeguard against common epidemics or ills of other character;

(e) Dangers to the working efficiency of cultivators and so the need for sickness, accident and other insurance;

(f) Agriculturist's life and certain contingencies therein;

(g) The dangers to crops from sowing to harvesting and garnering, from pests like locusts or field vermin; diseases like rust or weeds; or unseasonal rains.

(h) Ordinary insurance for Industries connected with or subsidiary to Agriculture;

(i) The risks incidental to markets, and of proper marketing;

(j) Accidents by fire or in transportation, of theft, burglary or pilferage, may be taken to be the commercial risks against which Insurance provision may be made on the same lines as in other sources of new wealth production.

(a) Famine Insurance

The form of agricultural insurance which has attracted the greatest attention because perhaps of its commonest occurrence, its devastating character, and large dimensions, is popularly known as Famine Insurance. It is provision against the failure of rains, the consequent failure of harvest, and the risks of starvation.

In the past the indigenous system of Famine Insurance was well known and commonly practised. But it was indirect, and took usually the form of providing a substitute for rain-

water by means of wells, tanks, or large-scale irrigation works on the principal rivers. This offered a kind of guarantee against the very occurrence of famine. It was taken to be the unquestioned obligation of the community as a whole to provide, because the community as a whole had the fullest "insurable interest" in this regard. The State, represented by the Ruler, or the Local Authority, was the most directly concerned body in constructing and maintaining such public works. Private charity was not unknown in digging tanks or making reservoirs. Nor was private enterprise altogether absent especially in respect of wells. But the principle of contribution, of premium, to provide a commonly needed safeguard against a common calamity was not stressed; and so its resemblance to Insurance as we know it today was only indirect.

A more direct form of Famine Insurance, practised in ancient India was the establishment of Public Granaries. These were built up out of the surplus collected from the farmers in each locality and maintained by the State or the Ruler as provision against a rainless season. The collection must have been made by some form of taxation of land payable in kind, as all land revenue used to be. This system of Public Granaries was not confined only to the Rulers only—or the Central Government of a State. Each Local self-governing unit, and even each individual cultivator, would normally provide his own reserve to guard against the failure of rains or crops for one season. The stores of reserve grains thus built up were used in the following year, and the surplus or collection of new grain for that year went into the Granary, so there was no great danger of grain rotting. Elaborate devices were at work to preserve such grain and maintain it in its pristine condition for months. In this form, therefore, there was a more direct correlation between the provision and its use when Famine actually occurred. The store depleted during a year of scarcity was replenished at the first opportunity.

In recent times, the break-up of local self-sufficiency, coupled with the demands of foreign trade exporting food stuffs from India, intensified by the modern transport facilities on land as well as overseas, have resulted in the Public Granaries becoming unnecessary. They have practically ceased to exist. No substitute has been found for these; and so every time the rains fail and harvest is scanty, the region immediately affected is exposed to the risk of sheer starvation and all that it brings in its trail. Whatever the other advantages of modern transport and growing foreign trade, the loss of the Local and Central Reserve automatically built up and

maintained by common effort, to enable the population to tide over one or two bad seasons, must be classed distinctly as a disadvantage. The chances of importing food stuff in seasons of scarcity to the stricken region by means of modern transport is hardly a compensation for this loss.

The British Government also felt the necessity of providing some safeguard against the periodic failure of rains, and the consequent risk of starvation for large numbers. In the earlier days of Government directly under the British Crown, two lines of specific Insurance against this risk were adopted, namely, (a) the construction of railways intended to bring food from abroad, and (b) large-scale irrigation works intended as a substitute for natural water when the seasonal rains failed in any locality. For more than a generation a fierce controversy had raged between those who would make large capital outlay for railways, and those who would construct large-scale irrigation canals, which were calculated to insure the country effectually against the very occurrence of famine. Every district had its rivers, many of them perennial, which offered great facility in building canals to water thousands and thousands of acres around. Where such natural facilities for providing surface water were not available, man's hand and brain were utilised to build large tanks or reservoirs, and wells to provide the same security. The Punjab and Sind are amongst the most arid Provinces of India. With the help of a vast network of irrigation canals, they have been converted into the most plentiful granaries of the country. And the same may be said for parts of Madras and Bombay, which, though not yet completely freed from the fear of famine, are yet more effectually guarded against this risk today than 50 or 70 years ago.

Railways—an Insurance against Famine

The Railways were not directly an aid in production. They were, on the other hand, not constructed principally as an aid to trade, which served to take away such surplus as the growing poverty of the people could provide. In their initial years they were built more for strategical reasons than as an economic safeguard. Later on, when British Rule was established more securely in the country, they continued to intensify their service to local industry, which had begun to appear at the turn of the century, and foreign trade which only helped to drain away indigenous resources, and so increased the intensity of Famine when it occurred.

The first arterial lines of Railways were constructed by Guaranteed British Companies assured of a generous immedi-

ate return by way of interest on their investment for a period of 25 years in the first instance; and, of course, of the principal. When the term of such Guarantee expired, it was renewed for another similar term. Still later the Companies were continued as lessees for the management of the railways. The British capitalist interest was thus guaranteed, under any circumstances, a minimum return. Those interests being particularly vocal and influential with the Home Authorities of the Government of India, they naturally had a pull over Irrigation Works, which were State enterprise, and so treated with a somewhat stepmotherly attention.

Irrigation—A Form of Famine Insurance

In contrast large-scale Irrigation Works did claim some attention, but not till the beginning of the present century, after a great Famine had devastated large tracts of the country. An Irrigation Commission was appointed by Lord Curzon who recommended a nation-wide net work of canals from the principal rivers, which was designed to insure the country adequately against Famine. This has not been all accomplished yet; but a good many of the schemes there recommended are now carried out and in working order, so that the frequency and intensity of Famines is not so great as it used to be in the last century.

The problem of Famine Insurance is not only to provide sufficient food in days of scarcity of local produce, but also the means wherewith the agriculturist may buy such food for himself and his family when his own resources failed. As seen already the resources of the average cultivator are meagre in the extreme in normal times; so that when an actual famine occurred, they reached destitution mark. At this time, it was important to provide relief, in the shape of purchasing power, which Railways could not bring to all the stricken population. The Famine Relief system organised by the British Government of India helped to provide work—and earnings—during seasons of scarcity which went a great way to moderate distress and loss of life.

Besides the occasional failure of rains, a contributory factor intensifying famines was the burden of Land Revenue fixed in cash for a number of years. This necessitated the cultivator resorting more and more to sowing commercial crops capable of being sold for cash rather than for food crops. The inevitable result was a steady decline in his reserve of food grains. The cash thus received was used for payment of Land Revenue. But it did not add to the ability of the cultivator

in times of scarcity to buy imported food, made costlier by the additions of the railway freight.

Yet another contributory factor for intensifying the ravages of famine when it occurred was the steady growth in population, and the consequent increase in the pressure on the soil. Between 1870 and 1940 the population of India has almost doubled; and the increase continues at an alarming rate. The land available for cultivation, on the other hand, has not increased in anything like the same proportion, notwithstanding the new land brought under cultivation by the large-scale irrigation works mentioned above.

The result is that famine is not even now a dread of the past. It is a real emergency which frequently occurs, and hence the need to guard against it by some nation-wide system of Insurance. The private enterprise now engaged in Insurance considers the provision of such a National Scheme of Insurance impracticable for lack of the necessary data. The Meteorological Department of the Government of India, however has been at work for nearly a century in India. And though all the data prepared and published by that Department may not be absolutely reliable, or sufficient to base a National Scheme of Insurance, the information is enough to suggest that a large-scale famine occurs once in a decade in areas normally receiving adequate and regular rains; and that scarcity of a lesser degree occurs in other parts, which are usually deficient in rains. The cost of the Famine Relief when it has occurred is also not altogether unknown during the last 100 years; and so some sort of a working basis is not impossible to frame to begin a National System of Famine Insurance.

Against this contingency it would not suffice to rely upon railways only as adequate relief for the emergency when it occurs. The railways may bring in food supplies from abroad or other parts of the country. But so long as the people affected have not the means to buy the food brought to their door, they would be faced with starvation in spite of the railways. The task of the insurer is, therefore, to provide this means to ensure food when the famine is at its worst; seed for the next season and such replenishment of tools, implements, or cattle, as may have been lost or sold by the cultivator to meet the stress of the emergency from his own resources.

Famine Insurance Fund

The so-called Famine Insurance Fund, started by the Government of India, early in the eighties of the last century, after

the experience of a devastating famine in Bengal and Orissa, parts of Madras and Bombay, was neither of a size sufficient to meet a nation-wide emergency; nor of a character clearly recognisable as an Insurance Fund to which the insured could rightfully lay claim when the contingency occurred. The Fund was begun by a specific sum, about a crore of rupees, being set aside every year to accumulate and become available, if and when a large-scale famine occurred, for the actual and immediate relief of the sufferer. The amount was supposed to accumulate from year to year, and kept in reserve. But no regulations were made for its proper investment. Nor was it clear how the benefit would be available when Famine occurred. Usually some public works were started on which the sufferers were employed as wage-earners to obtain their dole. The wages were paid in kind which scarcely sufficed to keep body and soul together , without removing the stigma which silently attached to those who worked on such Relief Works. They were unable to see that the Relief was given them from their own contributions which were not called Insurance premia, though in essence they were nothing else.

The Fund was formed, in the first instance, by additional taxation imposed upon the community as a whole, and not on those who were going to be primarily insured. There was, therefore, no direct correlation, no clear contract by which the insurer could claim as his due any relief that he got from the accumulated amount.

The Fund was maintained as originally planned for a few years, but the accumulations were often diverted to purposes other than those for which it was primarily intended. And the diversion was not only to provide such indirect protection against Famine as was afforded by large-scale irrigation works; it was often untilised to meet the additional cost of a war, or to make up the difference in Exchange on the Sterling obligations of the Government of India, which in those days was a constant factor upsetting the Budget. In no sense of the term, therefore, was the Famine Insurance Fund a real, effective provision against scarcity.

Even after the Rupee-Sterling Exchange had been stabilised towards the end of the last Century, and the menace of war had become fainter and fainter, the Fund did not maintain its real character. Nor could it be said to attain dimensions which would justify its name or satisfy its purpose. In the early years of this century, and mainly because of the constitutional changes in 1910 and 1920, the original object was almost wholly lost sight of. The obligation to maintain a Famine Insurance was passed on to the Provincial Governments, who

were given larger resources to meet this obligation. Agriculture has, since 1935, become a wholly provincial subject. The primary duty is thus more clearly than ever of the Local Government to provide against the periodical failure of rains, and not of the Central Government. Most of the Provincial Governments do maintain, at least in name a Famine Insurance Fund of their own. But their resources are not adequate for the purpose. The National Government is, however, as much concerned in the common hazard of at least two-thirds of the population of the country and so its obligation to aid Provincial Governments in their hour of need is undeniable.

If, therefore, a really satisfactory Famine Insurance provision is to be made, it must take the shape of some direct contribution, in whatever shape or degree such contribution is possible to levy, by the cultivator, his cooperative corporation, or even by collective farms if and when set up. These contributions must be put into a special Fund placed in charge of a Central Statutory Corporation, as the Industrial Employees' Insurance is proposed to be. The amount in the Fund may be invested on the same lines as the other Insurance Funds are; and the management should be conducted on parallel lines. The proceeds of the Fund must be used to provide relief on predetermined scales, as a matter of right, whenever an emergency insured against occurred. The relief may be in the form of food-stuffs, of seeds, tools or cattle, or any other loss or damage the insured may have suffered. If the accumulations exceed a given figure, the balance may be utilised for long term investment in really productive enterprise primarily connected with Agriculture. By such devices, it would not be impossible to abolish famine from the land if only human ingenuity is properly trained and devoted to combat this main scourge of the Indian Agriculturist.

The System of National Famine Insurance has been discussed at some length, as Famine is the principal contingency that agriculture in India is faced with. Other forms of Agricultural Insurance enumerated above would be either included in the main system, being really facets of the principal emergency, or may be provided for on the same lines.

(b) Insurance Against Flood, Hail, or Cyclone

Thus Insurance against flood or other natural calamities, like hailstorm, cyclone or earthquake, may be provided on the same lines. The loss or damage resulting from floods in the shape not only of direct harm to the crops actually standing; but also in the loss of cattle, valuable tools or implements

carried off, or valuable soil being drained away, is all but incalcuable. Nevertheless, some idea may be obtained as regards the frequency of these visitations and of the loss caused by them from the experience of those Provinces which commonly experience them.

In two other Volumes in this Series viz: that on River Training and Irrigation and on Soil Conservation, this problem is more specifically dealt with; but the consideration there given is rather from the standpoint of the technician and scientist than that of the agronomist. The remedies, accordingly, therein proposed will, when adopted, act as indirect insurance. They are designed to protect the agriculturist from the loss or destruction that actually occurs nowadays because of such flood etc. The objection that sufficient data are not available for framing a workable Insurance Scheme, would not also apply materially in this case; for in several parts of India, floods are an annual occurrence, and the damage caused by them not impossible to assess. Hailstorms and cyclones are rarer; and still more so earthquakes. But a comprehensive System of National Insurance can effectively provide against these.

(c) Tools, Implements and Equipment

Provision for the maintenance of tools and equipment of the agriculturist in a condition of efficient serviceability would not be, essentially speaking, a matter of insurance. It would rather be in the nature of a provision by way of what in commercial accounting would be called a Depreciation Reserve. Under existing conditions, the average cultivator is unable, of his own accord, to make such a provision; but it would be more easy to effect when the entire agrarian economy of the country is reorganised in Compulsory cooperatives mentioned in the Report. The only insurance in this regard would be against the loss of tools, implements, and equipment during floods or damage to them; or their loss, or their sale during famine, which the insuring Authority would be required to make up for as and when the emergency occurred. The Cooperative would have both the objective data and the surplus resources out of which such provision can be soundly made.

(d) Cattle Insurance

The cattle wealth of India is, numerically speaking, the highest in the world. According to the last cattle census, there were some 20 crore heads of cattle in what was British

India, or 25 crores in all the country. They are, however, not all of the same utility. It has been said that 60% of the cattle wealth of this country is, if not actually useless, burdensome. Being sickly they are often barren or poor in yield or weak in any other labour expected of them. So long as the number remains unaffected, these burdensome animals trench upon the fodder or nutrition available for more useful animals.

The maintenance of this form of wealth in its full productive efficiency would be assured, if and when a system is established, to guard against the common contingencies of epidemic diseases amongst cattle, and general debility because of lack of sufficient nutrition. This will be part of the entire scheme of agrarian reorganisation which the Report includes under Compulsory Cooperatives.

No doubt sufficient and dependable data on this subject, as in most items of our national economy, are lacking; but this is a matter of easy rectification. The Compulsory and Universal Rural Cooperatives, suggested in the Report, may well be told to prepare a complete Cattle Census, and thereafter to maintain adequate records for the accretion to and depletion of this form of wealth resulting from births and deaths. Data regarding cattle mortality should also be collected, compiled and maintained. At the same time the system should guarantee sufficient nutrition for the cattle, which would be more than paid for by the yield from such cattle in the shape of milk, and milk-products, meat, haulage service, manure material and the like.

The disposal of surplus cattle is, no doubt, a problem that will test the utmost ingenuity of the Indian Planner, given the tradition and sentiment of a majority of the population against a deliberate destruction of such animal life. Ways and means must, however, be found. Some have been indicated in the Volume in this Series dealing with Animal Husbandry,—by which supernumerary, useless or burdensome cattle can be eliminated without unnecessary cruetly or wanton destruction, within a given period, say five years, by a planned programme to prevent unchecked increase in the cattle number.

The information regarding diseases amongst cattle and mortality resulting therefrom may at present be not quite satisfactory. Here also it would be a matter of 3 to 5 years to prepare all the necessary data at least by simple investigation and record so that a full-fledged scheme of cattle insurance may be started as soon as possible and its lacunae filled up as and when further information is obtained.

(e) Insuring the Cultivator's Health & Work

Insurance regarding the cultivator's own health and working efficiency may be placed on the same footing as that of other workers in the commercial or industrial fields. Once the cultivator's ability for all such purposes is increased, and he is properly organised in Cooperatives, the problem of sickness, accident, unemployment, and other analogous insurance, as far as the agricultural worker is concerned, will not present any difficulty. It is simply a matter of industrialising Agriculture. Even the industries connected with or subsidiary to agriculture, providing off-season or supplementary employment, may be similarly safeguarded.

(f) Life Insurance

The necessity of providing some form of life insurance and insurance against other personal contingencies or obligations upon the individual cultivator by way of education of his children, marriage portion for his daughters, and the like, will become a problem of diminishing importance as an organised social system takes effect. In other walks of life also, as had been pointed out in the Introduction, the necessity to insure one's life would diminish as the social system is rationalised, and all the continencies or obligations resting upon a citizen in an individualist society are made up by collective effort and common enterprise. The manner of insuring the cultivator against all such contingencies as marriage and maternity, education of children, personal accidents etc. will not be materially different from that in other cases of similar risks.

(g) Insuring Crops Re. Pests, Vermin, Weeds

Whilst discussing Famine Insurance, no mention has been made of the scarcity caused,—not because of the failure of rains or any similar handicap in cultivation,—but because of the ravages of pests, like locusts or rabbits, or field mice which damage or destroy crops. Crop diseases, like the boll weevil worm which affects cotton in America, or rust affecting wheat in India, are beginning to attract attention. Their real salvation lies, however, in a better organised scientific study and research, and better disseminated technical knowledge amongst the cultivators. The system of a comprehensive Agricultural Insurance for the whole country suggested above could be easily extended, not only to provide against food scarcity when a famine occurs, but also against such dangers as that of vermin, weeds, or crop diseases. They may be

perennial dangers, and not an ordinary insurable contingency. But even so proper safeguards against the damage due to these factors will have to be on lines of insurance.

(h) Insurance Regarding Village Industries

Insurance regarding the working and produce of such industries which are connected with or subsidiary to agriculture; or which are set up to provide supplementary off-season employment for the cultivator, would be effectively protected on the same lines as the usual contingencies of other industries. This may be a private enterprise or public utility service. Since Insurance as a whole has been regarded in this Volume as a Public Utility Service, the Planning Authority, if it adopts this view, would naturally provide such insurance for the agricutural population on lines of their mutual aid. It is unnecessary to go deeper into details, as they would vary with each such industry and locality.

(i) and (j) Risks of Transport, Marketing Etc.

The risks to which agricultural produce is exposed during transit to markets, or all forms of the peasant's property because of fire, burglary or pilferage, will have to be insured against on the same lines as ordinarily effected in the industrial world. The items may, however, well be part of the aggregate National Agricultural Insurance System.

Altogether, therefore, a comprehensive Scheme of Agricultural Insurance on a nation-wide basis for all the risks or contingencies of rural life can be framed without difficulty if only there is a proper National Plan; and the appropriate Planning Authority decides to adopt a wholesale reorganisation of agricultural life such as is recommended in this Report.

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